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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2119

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PROBLEMS NOTED IN CEMA TRADE SETTLED IN CONVERTIBLE CURRENCY

Budapest KOZGAZDASAGI SZEMLE in Hungarian No 3, Mar 81 pp 333-342

[Article by Sandor Richter: "Certain Problems in Our Nonruble Trade With Our CEMA Partners]

[Text] Why Do We Trade With Our CEMA Partners in Dollars?

We need to follow-up the above question with two more questions. Why do our European CEMA partners trade with us and with one another in the key currency of the capitalist world?[1]

In search for the reasons, we come upon such interrelationships which singly are not unknown to economists who deal with CEMA. These combined phenomena lead in their mutual effects to where the negligible dollar-account trade of the 1960's has swollen from the beginning of the 1970's to our day to about 10 percent of the value of our ruble trade with the countries in question!

The first and most important relationship is with foreign trade prices. Today as in the past the products we export to the CEMA countries have varying (that is simultaneously two) prices depending on the marketing relationship: a price expressed in transferable rubles for trade within CEMA and a different price expressed in dollars on the capitalist world market.[2]

What are the historical antecedents for this "price gap"? The price question has always been one of the most debated problems in the CEMA cooperation system. The two world market prices became differentiated at the beginning of the 1950's with the economic upswing prompted by the Korean War. The rigid system of so-called stop prices which were fixed in wartime began to dissolve after 1953. Some of the prices of the member countries were modified bilaterally, thus recognizing (and causing to recognize) the realities of the capitalist world market. The "coexistence" of the stop prices and the new bilateral price agreements and the problems deriving therefrom raised the need for a "final" settling of the price question [Source 9 pages 35-39]. The debate on the common price base which lasted for a decade beginning with the end of the 1950's was waged primarily over whether the intra-CEMA trade should be based on prices fixed for a long period of time, released from cyclical influences, and taken over from the capitalist world markets. We can actually put it also this way--how should the prices realized within CEMA vary from actual capitalist world market prices, and how should the price of the same product be identical on the two world markets. (There were some economists who were already warning about the negative and practical consequences stemming from the variation in the price level and price ratios of the two[3].)

At the end of the 1960's and as a result of empirical investigations, the emphasis on economic reform efforts raised the problem in terms of a new dimension. Bela Csikos-Nagy put it this way in 1969: "The essence of the matter is not the price principle of the capitalist world market or the characteristic price base but the alternative to a natural or monetary system of economic cooperation" [Source 2 page 136]. The proposals for a more active realization of the commodity and money relations remained mostly at the level of theoretical discussions. The Complex Program approved in 1971, together with a number of detailed problems, approached the price question from another aspect, that is, in the perspective of socialist economic integration it set as a goal the settling of problems that had remained unsolved for a long time.

The 1973 price explosion and the large-scale restructuring of price ratios created a new situation: the sharpening of the conflicting interests made it necessary to bring the prices of the two world markets closer together. The "sliding price basis" which was approved in 1975 and formed with five-year, mobile averaging sought to adjust the interests of the net raw material exporting countries to the price increases for raw materials and fuels, or the interests of the net raw material importing countries to the temporal divergence of price changes, or the interest of the national planning apparatuses to a relative stability of prices or to foreseeing price changes. But the price ratios and the price level of the two world markets converged only in respect to the 1974 situation since because of the previously very moderate world inflation the five-year lag did not result in such glaring imbalances as came about in a much shorter time following the price explosion.

In summary, it may be stated that to this very day there does not exist in the cooperation system a mechanism for synchronizing with the present the newly arisen price sensitivity of the world economy, that is, at whatever any given point, depending on the market direction of an export product, a product continues to have two prices.[4]

In the 2 years following the 1973 price explosion, it seemed to the economic leadership of the CEMA countries that a radical transformation of the price ratio was largely an internal matter of the countries making up the capitalist world economy and that the difficulties of the CEMA countries could be defended against by spreading the burdens, and on the other hand by accelerating economic growth the loss suffered in foreign trade could be amended. The Hungarian ideas in this respect are well reviewed in Source 4. For a year and a half following the price explosion it did not become a matter of knowledge that the economy of Western Europe and North America was characterized not only by mass unemployment and a high level of inflation but also by a gradual structural adjustment to the world economic situation.

In the CEMA countries, enterprise assurance of the previous conditions of growth could become attainable only at the cost of firmly restraining the influences of the world market. As a consequence, the enterprises in their management could not make felt the compulsive strength of the new world requirements. Flexibility and better adaptability did not become vital matters for them, nor as a result did conversion to the manufacture of products that kept pace with the rapidly rising technical requirements of greater material and energy savings. Revenue readjustment which had an effect toward leveling and was realized in the wake of central intervention and a similar turning effect of foreign sources made it difficult to create an interest leading to structural adjustment, while at the same time the indebtedness of certain CEMA countries increased continuously (Source 6). Because of the preservation of the earlier situation unchanged in a good many cases and because of the rising world market price level, and import intensive economic growth that increased in value--rapidly after the price explosion but growing more slowly by the end of the decade--brought no quality breakthrough in countering the more expensive capitalist imports or in the production of such processing industry products whose prices could develop in agreement with the general trend of price increases on the world market.

Without a structural adjustment on the other hand to capitalist export expansion, the lion's share of which is made up of raw materials, fuels and semifinished product, the earlier export base--or the export base expanding at the earlier rate--is not sufficient.

A rapid climb in the production of these commodity items appropriate to urgent needs does not encounter only natural limits. The most important obstructive factor is an exceptional capital intensiveness. The processing over the short run and the entire economy over the long run will feel the ill effects of the transfer of resources into the extractive and the basic material industry. The possibility of further bringing in Western capital is limited because of the economic equilibrium situation of the small CEMA countries and in the case of the Soviet Union for other reasons.

Thus the greater dollar-trade export results are to a significant extent a function of the redistribution between the domestic sales and the ruble or dollar-trade export of the fuels, raw materials and semifinished commodity base available to the economy. The part of this commodity base that is available for domestic consumption is indispensable for assuring the smoothness of a country's production process and the supply level attained by the population. It follows from this that the ruble-trade export commodity base may serve primarily as the additional source of the commodity base for the dollar-trade export offensive.

In the beginning of the 1950's the effort at self-sufficiency centering on final products made fuel and raw material trade the backbone of CEMA cooperation. The raw material delivery relations which have developed over many years are very close, but are unidirectional between the small CEMA countries and the Soviet Union, and mutual but less close among the small CEMA countries. For a number of years now the member countries have been coordinating their purchasing intentions before actual deliveries in bilateral plan coordination negotiations where the most important problem is the assurance of mutual deliveries in energy sources, raw materials, and semifinished products. It follows from the very slow changing but still import intensive (including primarily import material intensiveness) production structure that the proportionally expanding ruble trade import is an important condition of the normal functioning and growth of the economy. To the extent that regularly arriving ruble-trade import items may not be delivered for various reasons or expand at a rate lagging behind domestic demand, disruption may occur in the production process, or the result may be purchases for convertible foreign currency.

The essence of the problem, therefore, is the following: the regional foreign trade cooperation system of CEMA is operating at present in a particularly "price sensitive" world economic environment. The member countries are becoming increasingly indebted to countries that are outside the cooperation system. As a consequence, heavy pressure is being exerted on the convertible export commodity base which already represented a bottleneck--precisely because of the effort at reducing indebtedness--toward a ratio shift in the direction of marketing outside of CEMA. Since the member countries are very strongly interrelated in the field of raw material deliveries, there is an urgent need primarily for expanding mutual trade in these products since in the traditional cooperation system means do not exist for resolving the contradictions.

The essence of the contradiction is at the same time, over the short term, the key to the solution: indebtedness does not force the countries to increase their deliveries to countries outside of CEMA but to try to maximize their convertible foreign exchange revenues without regard for whether the purchaser is a CEMA country or not. The other solution is to create a commercial transaction type in which in return for certain export items a country will receive, if not hard currency, such commodities as would have cost as much in foreign currency on the capitalist market as it would have given on the capitalist market for the export items. In this way since the beginning of the 1970's, trade conducted in free currency within CEMA has become much more important than before, as a consequence of which so-called hard goods which have acquired a decisive role in the international work distribution of CEMA countries change owners hip at present via three channels: in the traditional clearing turnover, in direct, free currency trade (in the framework of ad hoc transactions and constructions), and in trade conducted by way of intermediaries outside of CEMA.[6]

We shall hereafter discuss traditional clearing turnover problems only to the extent that they are linked to our subject. Below we shall examine the characteristics of nonruble trade between Hungary and its CEMA partners.

Trade Among CEMA Countries in Free Currency

The two above-mentioned commercial transaction types, the ad hoc and the construction, belong to the category accounted for in statistical records as socialist free currency trade.

In most cases the ad hoc transactions come about at enterprise initiative and are realized after ministerial approval. In some cases the transaction is finalized at higher level negotiations. In contrast to international clearing negotiations, commodities intended for sale or purchase are here not put in opposition: export and import transactions are entirely independent from each other in a given trade relation. It follows from this that the parties, in contrast to practice at international negotiations, need not bear in mind the complete ad hoc balance of trade in a given relation. (An exception to this is represented by the so-called Sonderkonto transactions, which we shall discuss below.)

Direct incentives to ad hoc transactions must also be sought for at the enterprise level. In their creation, different factors play a role in sales and purchases. One of the main incentives of the former is the very strong interest in acquiring convertible foreign currency, and another is the higher dollar price that can be attained for the ruble price. The first incentive is realized for the enterprises in such a way that socialist free currency sales are accounted as capitalist export results, and the enterprises receive all the special supports available for their "real" capitalist exports by which the regulations seek to create outstanding profitability for capitalist export. The difference in the revenues attainable by relations (the differences can extend from several percent to multiples depending on the items) will lead--assuming the same incentive in the two relations--the transactions in the direction that assures the greater revenue.

The interrelationships discussed here are certainly true also for the enterprises of the partner countries.

Ad hoc free currency purchases come about because the product in question is not available for rubles, and can be acquired on the capitalist market only at a higher or the same price. Since most of this trade by far consists of material-type and agricultural products, even the same price has a strong drawing power because of the lower delivery costs. Moreover, in some cases also the maintenance of the business relation developed with the enterprise selling for rubles can be a goal of the purchasing enterprise.

The development of ad hoc, free currency trade cannot be estimated or planned. The reason is that because of the capricious changes in world market prices in the 1970's, the products which can be sold advantageously or disadvantageously change not only from year to year but frequently from month to month as compared to marketing at the relatively more stable ruble price.

We should mention that there is also a clearing turnover accounted in dollars which has existed a number of years, the so-called Sonderkonto, or separate account. Although this trade is not separated in records from ad hoc transactions, it has many different characteristics. The handler of the trade conducted in separate account in Hungary is the Hungarian Foreign Trade Bank, which takes care to see that if possible there should develop only a minimal deviation from a zero balance on bilateral clearing accounts. Hence the sales and the purchases--even if one commodity is not directly opposed to another--are not independent of each other. Because of this bound state, the enterprises frequently shy away from separate account transactions, and they regard direct, ad hoc, free currency marketing without any counterbalance or intervention as more attractive on their own account.

In another type of free currency transactions, the constructions, the partners express their purchasing and buying intentions by directly opposing their use value. The opposing of use value regularly takes place also at international negotiations (hard goods for hard goods, soft for soft, machinery for machinery, material for material). And still there is an essential difference between the two kinds of opposition. In international negotiations the tactics used for the individual oppositions is not independent from the bargaining positions developing in the opposition of other products, in fact not from the commercial policy considerations to be followed in the whole relation and in particular from the desired balance. Moreover, in establishing prices, they proceed from the valid price formation principles of CEMA. The circumstance that when the price and payment currency is established the partners are not bound to a price formation mechanism which does not coincide in the given instance with CEMA interests opens a wide field for compromises of the type which could be realized within traditional frameworks.

Although the constructions which are accounted for in dollars are now basically of interest to us, we must for the sake of rounding out the picture speak several words about constructions in rubles. The strict opposition in ruble constructions is explained by the limited purchasing power of the transferable ruble. The partners try to sign zero balance agreements because in this way it will cause concern to neither party how it will be able to spend the rubles it receives for its export items in appropriate hard commodities in case of an imbalance in export and import.[7] The natural approach has an important role not in establishing the ruble construction but also in winding it up: in case of nonfulfillment, the partner, lacking other sanctions, may respond by withholding the products intended for the countervalue.

In the case of dollar constructions, the opposition of the products is explained rather by the requirement for simultaneously fixing large-volume and important export and import deliveries rather than by caution over the uncertainties of countervalues. Most of the time these constructions are not zero balanced, or if they are, the reasons are different from those in ruble constructions. In this case at any rate, the partner which delivers the greater amount need not fear that it will be unable to spend the balance. In the case of dollar constructions, the requirement fully to exclude money movements may motivate the zero balance transactions. (For example, the sale of 100,000 tons of grain at a given point of time linked with the purchase of such quantity of potassium fertilizers as can be purchased at the world market price at the given point of time for the world market price of the grain. In both cases, the given world market price is only a basis for bargaining.)

The dollar constructions, aside from the balance, are large-sum general contracts made at the planning office level designating commodity quantities which may be purchased.

Now let us look at the foregoing in the mirror of figures! The increase in the importance of socialist free currency trade can be observed in a comparison of the dynamics of ruble-account trade and socialist free currency trade. Between 1971 and 1977 the value of our exports conducted in rubles increased somewhat more than twofold, while socialist free currency exports increased sevenfold. In imports the difference is not so outstandingly great. The value of imports conducted in rubles almost doubled in this period while free currency imports tripled.

Not only in respect to its growth rate does socialist free currency import lag behind export but also in absolute value: on the export side in our foreign trade with CEMA partners, our free currency trade is a much more substantially important factor in respect to export than in respect to import. We can draw a picture of the importance of socialist free currency trade if we compare the value of trade conducted in free currency with the value of imports or exports. Comparing our free currency sales to ruble export, it appears that while the size of the former in the years from 1971 to 1973 did not reach 4 percent of the value of ruble-account export in any single year, between 1975 and 1979 it fell below 10 percent in only one year. Such forging ahead is not observable in import. In the "peak" year of 1974, the value of socialist free currency import came to about 8 percent of the ruble trade. In the years prior to or since 1974, the value of socialist free currency import came to about 8 percent of the ruble trade. In the years prior to or since 1974 we encounter smaller ratios. The year 1978 was exceptional because for the first time in many years the free currency import was larger than export. The debit balance came about clearly because of the decrease in free currency export, which did not amount to even 8 percent of the trade conducted in rubles.

Socialist free currency trade shares to a significant degree in our total nonruble-account foreign trade. For years its share has exceeded 10 percent of our export.

(In 1975, it came close to 14 percent while the value of our goods sold in the same year to developing countries amounted to about 16 percent of our nonruble trade export.) In 1977-1979 the ratio of socialist free currency in our imports exceeded 5 percent, while in the previous years it had always been less.

The Characteristics of Intermediary Trade

Intermediary business is, in general, a very important element of world trade. It offers its marketing experiences, its developed marketing network, its exact and rapid administrative work in return for a commission while the party that subscribes to its service must weigh whether the commission represents a greater loss than the additional marketing cost of organizing its own resources. In many cases, it is less expensive to use the intermediary than the other solution. A capitalist intermediary for socialist countries makes its gain, however, from the fact that the enterprise of the selling CEMA country is interested in quick dollar intake to the extent that it does not concern itself over a lower price. It also happens that a foreign trade enterprise will turn to an intermediary because it did not succeed in solving, with the help of a free currency transaction, the conflict which arose in the original negotiations on terms of a ruble sale, or it is so badly informed that it does not know of the possibility to market its goods for free currency in socialist trade at a higher price. The purchasing enterprise turns to an intermediary because it did not receive the goods for rubles and neither did it succeed in acquiring such from the seller for free currency, for example because of prolonged official procedure or in the worst case because it was not aware that the goods in question were available from another CEMA country.

Capitalist intermediary trade between the CEMA countries and Hungary is less than direct trade in free currency. For export, the "golden age" of doubtful value in intermediary trade was in 1973-1974 when our intermediary export came to 7 or 9 percent in value of ruble export. Since then its importance has gradually declined, and in 1977 it fell to 1 percent of ruble-account trade.

In import it had an important role in 1974 and 1975 when it reached a value of 8 or 6 percent in ruble import. The decline in intermediary trade was important in import but was somewhat less in export. Various attempts were made at cutting back on intermediary business. Under present relations, ad hoc transactions are capable of taking over the role of intermediary trade. The loss of ground in recent years by intermediary trade can be ascribed primarily to the fact that the foreign trade organs of the member states have noted this substitute effect.

The Commodity Structure of Socialist Free Currency and Capitalist Intermediary Trade

Both in import and export there is a great similarity in the commodity structure of our trade as conducted through free foreign currency and through intermediaries. From the viewpoint of item depth, most of the products have a role in both kinds of trade, or one year it can be found in free currency and in the next in intermediary trade.

In our export, agricultural and food industrial products dominate. Their share in our socialist free currency export exceeded 50 in every year, except 1952. Beginning in 1975, agriculture and food industrial products made up more than

90 percent of the trade, but since then they have declined considerably. Our other important export entry consists of materials and semifinished products as a commodity group. The ratio of both in socialist free currency and in capitalist intermediary trade varies according to how well grain production does.

In our import, products purchased for socialist free currency between 1971 and 1975 and products purchased through capitalist intermediaries between 1971 and 1972 were decisively materials and agricultural products, alternately in smaller or larger ratio. In imports with capitalist intermediaries there was at the beginning of the period under examination, that is, before the price explosion, a considerable energy source (Soviet petroleum) import, which became dominant. The ratio of energy sources between 1976 and 1979 in socialist free currency import rose from one-third to over one-half, while the ratio of agricultural items fell back strongly.

It is worthy of note that the role of machinery, equipment and industrial consumer items was very slight both in socialist free currency and in intermediary trade.

Summary

The phenomenon we have shown--ad hoc free currency trade, constructions, and intermediary trade--are necessary elements of the existing relations, and we have to count on their presence until there is essential change in the circumstances which brought them about. It is untimely to raise the question of their elimination or their restraint. But the question immediately rises: Are there objective limits to the increase in free currency trade and to the advance of constructions?

In principle, the scope of dollar accounting in trade among CEMA countries can be expanded as long as the interests of the affected countries as exporters are linked to the "switch over." The process is limited only by the limit on "hard" goods that can be switched from traditional clearing trade. This is, of course a limit only in principle because in the complicated interest relations of CEMA cooperation very important forces are exerting themselves for the maintenance of the earlier commodity structure and the earlier price relations, that is, in the direction of holding off changes as long as possible. In practice, the increase in the trade of hard items is primarily that which in latter years has come to be marketed or bought in the forms discussed. In the 1980's with the slow anticipated expansion of clearing account trade, a very important share of the increase in trade in "hard goods" will be done in this way.[8] This does not belong directly to our subject but it is worthy of note that in the 1980's a serious factor in the trade we conduct with the CEMA countries will be the new products for repaying joint investments that go with convertible currency expenditures.

In the framework of equilibrium problems the demand may rise that the cooperation of the CEMA countries should be strengthened by bringing about a more rapid development of internal than external trade, that is, by realizing a certain inward-turning trend. In this respect, will the experience we gained in examining socialist free currency trade provide us with some lessons?

All the countries under study without exception have an urgent need to increase capitalist exports. Under such circumstances the CEMA countries have an interest in increasing their share in CEMA trade only as importers, but this is limited by the sales intentions of their partners who in the case of convertible goods give advantage on the contrary to dollar-trade sales [Source 3, page 311] because the member states are neither able to repay capitalist debts nor purchase discretionary commodities in the CEMA countries with rubles received for export products switched into the ruble from the dollar relation. Accordingly, the seller incentive does not exist to bring about an inward-turning in the framework of a traditional cooperation system in such a way that it will be realized by giving an advantage to ruble-trade export over dollar-trade export.

An increase in the internal trade of convertible products at the expense of external trade can be attempted only by making the capitalist world market price relations "internal," that is, by expanding socialist free currency trade. Consider the kind of products which are exchanged through the forms under question, this means that outside the scope of certain materials, semifinished products, energy sources and agricultural items that can be found simultaneously in both the entire export and import of CEMA there is no realistic possibility, corresponding to the interest of all affected countries, to bring an inward turning about. Socialist free currency transactions and ruble constructions create the objective possibility for switching capitalist transactions to this area, but since the commercial forms provide for conditions that correspond more or less to the capitalist market and are not better, the possibility is not paired with economic causes to prompt the process. And this makes questionable, even in this narrow scope, the rationale for the attempts at inward turning. To the extent that in the form of a forced replacement of capitalist import, inward turning exceeds the above-mentioned limits and extends also to technology-intensive products, capitalist imports are replaced by products that are inferior in use value to the capitalist acquisition alternative. In this case, the seller also inevitably suffers a loss over the short range who builds an export capacity for producing "soft" goods because there is nothing to constrain him to go in the opposite direction [Source 7, page 54]. This would unavoidable hold back the technical development of the CEMA countries.

Finally, we must raise the question: Should convertible account trade in the cooperation of the CEMA countries be evaluated positively or negatively?

Free currency transactions should not be studied in detachment from their interrelationships and with disregard for their background. The direct and intermediate dollar account trade within a commodity sphere was brought about and has been maintained by the possibility of dual evaluation and the effort of the member countries to use this possibility. It is at one and the same time a sign of the problems in the traditional cooperation system and a channel for the solution of some of these problems. Therefore, its existence can be judged as positive because there is no alternative, in attainable proximity, for the reform of the cooperation system.[9]

At the same time there is no justification for ascribing to the dollar account trade an importance exceeding the given limits. For many reasons besides the internal economic mechanism of the member countries, it is inopportune to see the way to the development of the CEMA cooperation system in dollar trade either as the final result of a spontaneous process or in giving it weight through deliberate central intervention.

FOOTNOTES

1. The article was prepared on basis of a lecture given at a foreign exchange and financial conference of CEMA country researchers (Sopron, 7-10 October 1980). The study extended to the following countries: Bulgaria, CSSR, Poland, GDR, Romania, and the USSR.

2. In the case of the transferable ruble we are speaking, of course, of a broad range for it is well-known that significant variations in trade relation appear for the same product in transferable ruble prices [Source 1, page 80-85]. The dollar price, too, is limited--in a range more narrow than that of the ruble. The essential thing is that in the case of both ranges the extreme values as well as the average price is set by different factors. The ranges coincide only accidentally.

3. For example, I. Mervart and V. Cerniansky. [Quoted in Source 8, page 354-355].

4. It is very important to note that both in the case of selling and purchasing for rubles the role of price in international negotiations is not exclusive: the price and the countervalue together are truly important. (For example, if in return for a product sold far below price it is possible to obtain as countervalue a relatively still less expensive product, the advantage of the transaction cannot be judged only on basis of the export price.)

5. In 1975 the exports of the small CEMA countries to the developed capitalist countries consisted 50 percent of energy sources, raw and basic materials and semifinished products, and 88 percent in the export of the Soviet Union. By widening the scope with basic agricultural materials and food products, it came to 71 percent in the case of CEMA countries and 92 percent in the case of the Soviet Union [Source 5].

6. I am not analyzing the doubtedlessly very important role of joint investments in the resolution of the above-mentioned contradiction, since this study seeks to discover only solutions directly given in foreign trade.

7. It is worth mentioning that many specialization and cooperation agreements are zero balanced. It also happens that if the specialization and cooperation agreement is not of this kind, it is fixed in a separate protocol what kind of items the preponderant supplier may buy for the surplus receipts. Thus many specialization and cooperation agreements are created as "mini-constructions."

8. In 1978-1979 many signs indicated that in the future in the case of many important import entries the well-known commercial forms would gain ground not in increases but in the level already attained in trade.

9. Existing price statistics still do not make it possible to perform reliable economic calculations, which could provide important contributions, however, to judging the socialist free currency trade.

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LUKANOV DWELLS ON FOREIGN TRADE DEVELOPMENT

Sofia TRUD in Bulgarian 24 Mar 81 pp 1, 3

[Article by Andrey Lukanov, candidate member of the Politburo of the BCP Central Committee and deputy chairman of the Council of Ministers: "An Active Factor for the Intensive Development of the Nation"]

[Text] Our nation is on the threshold of an exceptionally important event in its sociopolitical life, the holding of the 12th BCP Congress.

The convening of the congress coincides with the 25th anniversary of an event of fatal significance for the socialist development of our country, the April Plenum. In looking back at the distance traveled and the achieved results, the party and the people pay due respect to the renewing role of the April course and to the creator and generally recognized strategist of this course, Comrade Todor Zhivkov.

The development of foreign economic ties and the deeper participation of Bulgaria in the international division of labor and socialist economic integration are an essential trait of the April line and one of its basic elements.

This course of development was laid down in the BCP Program for constructing a developed socialist society and has been consistently carried out. The period since the approval of the program has been the most fruitful in our all-round development.

In this regard a substantial contribution has also been made by the foreign economic ties of our nation. Without our active involvement in the international division of labor, we could not imagine either the present material and technical base which is enormous for our country or the profound structural changes in the economy and the achievements of scientific and technical progress.

The socioeconomic development of our nation confirms the dialectical dependence between quantitative and qualitative growth of economic potential, the optimum mobilizing of the internal reserves and of the national economy and the accelerated broadening of our participation in international economic exchange. In carrying out this line consistently, Bulgaria has been turned into a worthy partner both of the countries of the socialist commonwealth as well as outside of it.

Over the last decade and particularly from 1973 onwards, the economic and political situation of the world has undergone serious changes. The profound crisis of capitalism has led on the international level to open neocolonialist clashes between imperialism and the developing countries. The desire of the developing countries to use their natural wealth for the purposes of their own economic growth has clashed sharply with the practice of the capitalist nations of purchasing their wealth on the cheap. A raw material and energy crisis has developed in the world capitalist economy with all the economic and political consequences. The prices for energy and raw material resources have risen at an unprecedented rate. The crisis has engulfed both capitalist production and the monetary system, the competitive struggle has grown sharper and protectionist moves have increased sharply. In the political area imperialism, and primarily American imperialism, is endeavoring to organize a massed offensive against detente.

In this exceptionally complex situation accompanied by an ubiquitous decline of economic growth, Bulgaria has realized comparatively high rates and as a whole has fulfilled the tasks posed at the 11th Party Congress. This has been possible due to the prompt efforts by the party to introduce a new economic approach and management mechanism, to mobilize the workers for an across-the-board increase in labor productivity, for activating the intensive factors for economic growth, the saving of resources and foreign exchange and their proper utilization.

A substantial role in the achieved successes has been played by Bulgaria's active participation in cooperation and trade with the socialist countries, and above all the USSR. During the past period, Bulgaria has been the nation with the highest percentage of trade growth in the socialist commonwealth. The foreign economic ties with the USSR and the other CEMA countries have been a decisive factor for the stability of our economy. The nation has been guaranteed raw material and energy resources and the market for our products has been stable.

The rapid changes in the level and proportions of prices, particularly for energy sources, on the world market have naturally been reflected on the socialist market, but in a particular way, with significantly less acuteness and at a significantly lower rate. This applies primarily to the vitally important resources for our nation such as energy sources and a number of raw products and materials. The significantly better prices for them on the socialist market, in comparison with the world market, over the entire period of the Seventh Five-Year Plan has made it possible for our economy to adapt successfully to the new conditions and to minimize the negative consequences reflected from the world crisis. Vivid confirmation of this is the rate realized during the past 5 years for national income of 6.1 percent and the growth of industrial product of around 35 percent, including: 56.2 percent for machine building, 52.9 percent for chemistry, 35 percent for power engineering, 18.1 percent for metallurgy and so forth. The increased production potential and our positions on the socialist market over the last 5-6 years alone have made it possible for Bulgarian trade to increase by nearly 2-fold and this has been accompanied by a decisive improvement in the export structure in a direction of a rise in the share of machinery and equipment. In 1980 this reached 45 percent of the nation's total exports. A significant success was also achieved in the area of balancing trade. In recent years the condition of our payment relationships with the capitalist countries has sharply improved.

The created solid production base, our extensive participation in socialist integration and the broadening of mutually advantageous ties with the capitalist and developing countries will make it possible in the following Eighth Five-Year Plan to achieve even higher aims. It is anticipated that trade will increase by about 40 percent. The carrying out of this task necessitates a qualitatively new approach which would be based on intensive factors, and this means an increase in the volume of trade should be accompanied by a more rapid increase in its efficiency. The bases for success in this area are the qualitative changes which must occur in two interrelated areas of the economy--production and foreign economic activities. As is stated in the Draft Theses of the 12th Party Congress, the closest link between production and the requirements of the international market and a rise in the efficiency of foreign economic activities must be at the center of our foreign economic policy.

A rise in the effectiveness of foreign economic activities in practice means the greatest possible reduction in the exporting of material- and energy-intensive products and products with a low level of processing at the expense of products the value of which are formed primarily from the intellectual component.

The main foreign economic partners of Bulgaria are and will remain the CEMA member nations and the USSR in first place. Only due to the enormous CEMA market can we achieve optimum limits in large-series and specialized production and this guarantees us high efficiency and competitiveness on the world market. The basic direction for further deepening our ties with the socialist countries in the following 5 years will be long-term production specialization and cooperation [subcontracting] and this entails significantly unutilized reserves.

In carrying out the agreements between comrades Todor Zhivkov and L. I. Brezhnev in September 1979, a general plan was signed for specialization and cooperation in the area of material production between Bulgaria and the USSR up to 1990. The plan encompassed two 5-year periods, the period of 1981-1985 and 1986-1990. In essence this is a program for intensive production and scientific-technical specialization and cooperation between the two countries. During the period since then, the general plan has developed into a system of specific sectorial programs and agreements. These define the conditions and the times of cooperation as well as the obligations of each of the parties. Within the general plan, between cooperating ministries of the two countries, 34 sectorial programs and subprograms and over 160 specific agreements were signed for the development of cooperation during the Eighth Five-Year Plan. At the same time, the plans were coordinated for the period of 1981-1985, and a long-range trade agreement was signed between Bulgaria and the USSR for the same period.

In the process of joint work on the general plan, the sectorial programs and the coordinating of the national economic plans, specific and rational solutions were found for vitally important problems for our economy. The basic directions were approved for the development of economic cooperation in the leading national economic sectors and the volumes of reciprocal deliveries of machinery, preassembled equipment, raw products, materials and other commodities were set.

The deliveries of petroleum, oil products, natural gas, coal, coke and so forth were agreed upon with the USSR. The questions of the development of our energy production and primarily nuclear energy were settled. Positive solutions were found for the other basic raw materials essential for the development of our ferrous metallurgy, pulp-paper industry, the chemical and petrochemical industries and so forth. In parallel with this, our deliveries to the USSR were approved and in them the basic share (over 50 percent) was taken up by machine building products. This fact in and of itself speaks of truly revolutionary changes in the production structure of our nation. Our party has consistently and steadily prepared and carried out these particularly intensely during the period after the Tenth Congress.

Basic attention has also been given to the development of economic ties with the other CEMA countries.

During the meetings of Comrade Todor Zhivkov with the first party and state leaders of these countries, the main directions were designated for economic and scientific-technical cooperation during the period of 1981-1985. On this basis, up to now several intergovernmental agreements and over 40 agreements and understandings have been signed for long-range economic cooperation between the various ministries and departments. Intense work is underway in preparing and concluding a number of other agreements.

Our nation is an active participant in bilateral cooperation within CEMA. CEMA activities, particularly in the current international economic and political situation, are assuming key significance, because it embodies the global interests and problems of the socialist nations as a socioeconomic system and their place and role in the contemporary world as an international community. CEMA must play the role of a unified center for the effective and rational use of the aggregate material and intellectual resources of the socialist countries and as a medium for large-scale initiatives and measures leading to the accelerated and effective development of the individual countries and the community. It must be a basis for the joint optimizing and coordinating of national economic structures and the maximum joint use of the achievements of scientific and technical progress. As was emphasized in the Draft Theses of the 12th Congress, the main area of Bulgaria's participation in multilateral cooperation within CEMA will be the broadening of specialization and cooperation and the implementation of the long-range specific programs.

The foreign economic ties of Bulgaria with the developed nonsocialist countries can develop only on a basis of mutual advantage and nondiscrimination.

In recent years the structure of our exports with these countries has improved significantly. The relative share of traditional agricultural goods is declining more and more due to the increased exports of machinery and equipment. However we must do a great deal in the area of quality, services, advertising and so forth in order to be up to the level of the requirements of this difficult, heavily saturated market.

In the development of economic ties with the capitalist countries, we must endeavor to further extend the practice and improve the forms of production and trade cooperation.

Bulgaria's relations with the developing countries are marked by great dynamicness. These relations have been given a particularly strong impetus as a result of the meetings of Comrade Todor Zhivkov with the leaders of many of these countries. The main conclusion from these meetings and reciprocal visits was that the possibilities are far from exhausted and that their realization is linked to the consistent creation of a permanent division of labor with these nations and to applying the appropriate forms of long-range and stable industrial cooperation and commercial and economic collaboration. The bases for this policy in terms of a number of nations have already been laid. The task is to further develop the achieved results and to raise the effectiveness of the mutual ties.

The forthcoming 12th Party Congress will set exceptionally important and new tasks in the area of the socioeconomic development of Bulgaria. These tasks cannot be successfully carried out without a further broadening of the nation's participation in international exchange as part of socialist economic integration and without the more effective use of foreign economic ties as one of the main factors for intensive national economic development.

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STATE OF NATIONAL LABOR RESOURCES EXAMINED

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[Article by Senior Scientific Associate Candidate of Economic Sciences Angel Manolov: "Condition and Problems of Development of Manpower Resources in the Country"]

[Text] Our country is on the threshold of the Eighth Five-Year Plan. Based on the successes achieved in the Seventh Five-Year Plan, and bearing in mind unresolved problems, the Bulgarian Communist Party will earmark the basic directions and specific means for socioeconomic development of the country for the next five years. The report delivered by Comrade Todor Zhivkov on the holding of the 12th BCP Congress points out that the congress will mark a period of profound quality changes in the development of our economy. It will develop and resolve problems which have become rife and of major importance for our economic development, such as that of the "rapid and energetic utilization of the highest achievements of the scientific and technical revolution and of global experience. The next five-year plan will be a five-year plan of technical progress, a five-year plan of intellectualization of labor in the Bulgarian People's Republic. Without this there could be no progress. There could be no development or an effective economy."[1] This slogan defines the strategy, policies, trends and directions in building a developed socialist society in our country. For the Eighth Five-Year Plan it resolves and demands the reorganization of our entire life to be based on the latest achievements of science and technology, and on anything which insures high effectiveness and high quality. In practical terms, this question is manifested in the conversion of science into a direct productive force, for under the conditions of contemporary scientific and technical progress the only labor which can be considered productive is not only labor directly involved in the production process but the labor of the people who invent the machines which successfully replace workers in the production process. On the one hand, this means that the production process becomes enriched with "intelligent" and "thinking" machines and mechanisms; on the other, it means the transfer of the worker from the production to the preproduction area.

The mastering of complex machines and equipment and of modern technology, and their automation and computerization urgently raise the question of the development of labor potential and of the extent and nature of its utilization. The plan which the National Assembly recently approved on the socioeconomic development of the country in 1981 and 1982 indicates that the most efficient utilization of manpower resources is one of the important factors for raising effectiveness and quality.

The stricter requirements governing the rational utilization of manpower resources are dictated by the specifics of their development. We know that reduced manpower sources lower the possibilities for the further expansion of employment. Under such circumstances today and even more so in the future, manpower resources will be acting as a limiting factor. In turn, this raises urgently the problem of establishing with far greater accuracy the quantitative and qualitative aspects of the effect of the "manpower resources" factor and of its most efficient utilization with a view to insuring high and stable rates of socioeconomic development in the country.

These and many other characteristics call for manpower resources to be studied and analyzed both in the steady process of their production, formation and deployment, as well as comprehensively, in their entire complex dependence on all remaining factors and conditions governing the socioeconomic development of the country. Also this calls for the accurate determination of basic directions in the management of manpower resources as a main element of the party's overall socioeconomic strategy, and for the competent solution of consequent problems. "We must never forget," Comrade Todor Zhivkov emphasized at the 11th BCP Congress, "that the management of people and labor collectives is and will remain the main feature of socialist management."[2]

As a result of the profound socioeconomic changes which took place under the people's regime, considerable successes were achieved in the demographic development of our country. The most important indicators of manpower reproduction were improved substantially: the average lifespan rose from 55 to 71 years; infant mortality declined sharply from 130.4 per thousand in 1944 to 22.2 per thousand in 1978. Despite the fact that some population groups left the country, between 1944 and 1979 the country's population rose from 6,913,000 to 8,814,000. In 1979 workers and employees working in the national economy totaled 3,947,000, compared with 629,000 in 1948, i.e., their number rose by a factor of 6.3. Within the same period of time, the able-bodied population, however, rose by no more than 50 percent.[3] This indicates that during that period the increased number of active workers and employees was the result not only of the natural population expansion but of the manpower released from agriculture and from household and private farms.

The main distinguishing feature in the development of employment in that period is that it has increase at a faster pace compared with the natural population growth. As a result of this, in terms of employment our country holds one of the leading positions among the CEMA-member countries. Thus, in 1975 the economic activeness of the population (employed in the national economy in percentage of the size of the population) in CEMA-member countries was as follows: Bulgaria, 54.3 percent; Hungary, 28.2 percent; GDR, 47.2 percent; Poland, 52.0 percent; Romania, 47.6 percent; USSR, 52.1 percent; Czechoslovakia, 50.2 percent.[4]

Such quantitative changes were paralleled by substantial qualitative changes in the development of the country's labor potential: the professional-skill structure of the manpower, characteristic of a developed country, was shaped. Every year the vocational-technical schools train 39,000 young skilled workers for the needs of the national economy; 118,000 specialists complete their secondary specialized and semi-higher education, and 87,000 students graduate from universities. The rapid saturation of the sectors and types of activities with young specialists has improved the qualitative structure of the country's potential. Thus, in 1979, there were 61 employed specialists with a higher education and 131 employed specialists with secondary specialized and semi-higher training per one thousand employed individuals.[5] In terms of this indicator our country holds one of the leading positions within CEMA.

Patterns characteristic of the stage of building a mature socialist society appeared in the shaping of the country's social class structure. Workers became the basic and dominant force of the labor resources. In 1979 their share reached 58.2 percent of the employed population, compared with 47 percent in 1970.

According to the forecast developed by the Scientific Research Labor Institute, in the Eighth Five-Year Plan until 1990, we may expect a certain relative and absolute reduction of labor resources. This will be mainly due to a decline in the birth rate and the development of processes related to the aging of the population, whose demographic criterion is the increased share of the population past the active age group. The percentage of the population beyond the active age group remained relatively stable until about 1956, accounting for 12-13 percent of the total. In subsequent years, however, the process of the gradual increase in the share of the population in this group was started; it reached 16.1 percent in 1965 and 18.4 percent in 1977. According to the forecast, the process will continue in the Eighth Five-Year Plan as well. It is predicted that by 1985 individuals within this age group will account for 20.6 percent and by 1990 for 21.8 percent of the total.

The adverse situation created in the development of demographic processes and the accelerated socioeconomic development of the country in the future require a comprehensive and profound study of manpower resources and, on this basis, a determination of the means for their effective utilization.

Changes in the sources of manpower supplies for the national economy have been one of the characteristic features in the development of labor resources over the past decade. Today's main and only real source of manpower is the natural population growth. As we know, in recent years the natural growth has shown a stabilization trend--about five per thousand. The same trend is likely to prevail during the Eighth Five-Year Plan and through 1995. The low natural growth, regardless of the intensification in all realms of socioeconomic life and the growth of social labor productivity, may create disproportions between the active age and the nonactive age population groups. In the future, this may slow down the growth rates of the living standard and worsen the processes governing the reproduction of labor resources.

The second most important source of manpower is the redeployment of people released from agriculture or from household work and the cultivation of private plots. In the past few years the possibilities of this source have been reduced sharply. In the future its significance will become more sharply reduced.

Demographic forecasts indicate that between now and the year 2000 the size of the country's manpower resources will not show a substantial increase compared with 1973. Under such circumstances the only proper way is that of economic intensification and higher labor productivity, with a view to ensuring the normal functioning of the national economy without experiencing difficulties caused by the lack of additional manpower sources.

Some difficulties will arise in the future in supplying enterprises, sectors and territorial units with manpower as a result of the declined increase in the size of the active population.

The effective utilization of available manpower resources is closely related to the proper territorial location of production capacities. In terms of its economic development, the past period was characterized by a development of industry mainly in the big urban centers. This created conditions for the extensive concentration of industrial production and manpower resources within them. Thus, for example, 38.7 percent of the country's manpower resources and 66.7 percent of the urban manpower resources are concentrated in 29 large industrial centers which account for 13.6 percent of all cities. As a result of the high concentration of industrial output a manpower shortage developed in these cities and disproportion appeared between the use of male and female manpower. One of the reasons for this condition is that the manpower factor was not always and sufficiently taken into consideration in the building of new industrial projects.

Far more complex problems arise in the utilization of manpower resources in small and medium-sized towns. Even though such towns lack sufficiently developed industry, the fact that they have limited labor resources must be taken into consideration in planning new construction in such areas. As a rule, the small towns have an insufficiently developed infrastructure, which is an important factor in attracting and stabilizing the manpower. That is why, with a view to insuring the effective utilization of manpower resources it would be more expedient to build in such towns relatively small specialized enterprises or open branches and shops of enterprises located in the bigger cities. The second direction would involve measures taken by the central organs which, in shifting operating or building new industrial projects, must take into consideration manpower reserves and systematically turn their attention to other conurbation systems which release manpower resources.

Extensive problems develop in the utilization of manpower resources in conurbation systems. As a consequence of the intensively developing migration processes, conurbation systems with strongly misshapen age-sex structures developed in a number of conurbation systems. In the future, they will experience the ever more intensive process of population decline, even without any further migration. Many of these conurbation systems have rich natural resources whose development and rational utilization cannot be fully achieved as a result of manpower shortages. At the same time, the opposite trends are noted in other conurbation systems, manifested in the development of a population with rich labor and reproduction potential. Following the intensive urbanization processes which took place in our country, today the leading problem is that of the rational territorial deployment of manpower resources. This must be fully consistent with the policy of the territorial development of production forces, the policy of investments, and the development of the service industry.

Planning methodology must be improved in order to coordinate the economic development of territorial units with available manpower resources. Above all, we must make a profound study of the factual possibilities for the development of the territorial units, taking into consideration the effective utilization of available manpower resources, which must be subordinated to the solution of national economic problems.

A complex set of problems rises in the consideration of questions related to the effective utilization of manpower resources in agriculture. As a result of the intensive migration which has taken place over the past 20 years, the size of the population employed in agriculture has declined considerably. Its age and educational structure has worsened and the natural population growth has been greatly reduced. Yet, the measures taken to compensate for the outflow of manpower resources and, above all, for increasing labor productivity in agriculture, remain inadequate. Conducted observations indicate that in terms of communal and other services the rural population is considerably behind the urban. This is one of the factors encouraging manpower migration.

We know that the reproduction of manpower resources in agriculture and their formation, deployment and utilization are influenced by the overall laws and factors governing manpower reproduction. At the same time, however, they are also influenced by some specific factors such as the seasonal nature of a high percentage of the production process and the related seasonal utilization of the manpower; the steady migration of the rural population to the cities and to other nonagricultural sectors; the steady and substantial worsening of the age structure of the rural population and the consequent reproduction characteristics; the strong influence of geographic, climatic and demographic factors on the size, sex-age and professional qualifications structure of manpower in agriculture; characteristics of the territorial distribution of production forces; and disparities in wages and in communal-consumer, trade, educational, health and cultural services offered to the population of town and country.

A disproportion is gradually beginning to appear between available and necessary manpower as a result of the development of these processes. This will lead to a number of problems in the future normal development of agricultural production.

The adverse demographic processes notwithstanding, the manpower employed in agriculture is not being fully used. In this respect the seasonal utilization of the labor of cooperative farmers plays a particular role. In the winter months a far smaller number of people work in the agroindustrial complexes (APK) compared with the summer. The effective utilization of manpower resources in agriculture on a year-round basis calls for the development of industrial activities. In recent years, particularly after the development of the APK, a decisive step was taken in this direction. The industrial activities developed in agriculture, however, are not sufficient for the elimination of the seasonal nature in the utilization of manpower and their further development is required.

Brigade labor is being used ever more extensively in harvesting and other field operations. Every year, some 400,000 students attending higher and secondary schools spend some time helping the farmers. Such brigades are set up by workers and employees as well. In all likelihood, brigade labor will be used in the future as well in compensation for manpower shortages in periods of intensive farm work.

Practical experience indicates that a number of problems exist which hinder the effective utilization of brigade labor, such as shortcomings in the organization of labor, services, transportation and others. In order to upgrade responsibility in the utilization of brigade work, the conclusion of contracts between schools, enterprises and establishments which send brigades to the APK, on the one hand, and APK using such seasonal workers, on the other, should be signed. Such contracts should stipulate reciprocal obligations such as the timely and qualitative performance of farm work by the brigade members and the providing of the necessary conditions for the objective utilization of brigade labor by the APK, on the other. In some cases the contracts may stipulate that in the winter the APK will fill orders and engage in the production of goods needed by industrial enterprises.

The territorial labor organs could play a particularly positive role in directing and controlling contractual relations between APK, on the one hand, and enterprises, establishments and schools, on the other. On the basis of their study of manpower needs and the possibilities of enterprises, establishments and institutions, the territorial labor organs could recommend the annual conclusion of such contracts. Furthermore, another of their very important tasks is the supervision of the implementation of reciprocal obligations among the parties with a view to the effective use of brigade labor.

The use of individuals past the active labor age should be considered an additional source of manpower resources. Considering the ever widening gap between the additional need for manpower and the sources for its satisfaction, the use the work of the retired offers a certain possibility. In the Eighth Five-Year Plan the number of working people past active age is expected to increase by over 20,000 people. The employment of the retired requires the implementation of a number of organizational-technical measures and the creation of suitable working conditions. This problem must be resolved in accordance with the territorial and sectorial characteristics of economic development and the extent of manpower availability.

In order to recruit the retired and increase their employment in the future, an overall system of measures should be formulated, to include the following: improved material incentives; incentives to the enterprises encouraging them to make more extensive use of the pensioners' labor; the offering of privileges to working pensioners (lower production norms, extended annual leave, and others); creation of specialized enterprises, shops or sectors offering suitable working conditions; opening of vocational training centers for the retraining of pensioners, and others. This mandatorily requires studies and, on this basis, the formulation of substantiated proposals on the utilization of the work of this category of individuals. The establishment of closer contacts among enterprise personnel bureaus would be particularly useful. This can be achieved by encouraging the enterprises systematically to inform the labor organs about available jobs which could be filled by the retired.

In addition to people no longer within the active age group, the economically inactive individuals represent a reserve of manpower resources, insignificant though it might be. This applies to people working at home or the family plots, the disabled, and others not employed in the national economy.

According to the 2 December 1975 census there were 308,900 economically inactive individuals in the country.[6] Most of them were unemployed for objective reasons: poor health, 19.2 percent; caring for children under 15, 26.1 percent; retired on pension, 33.0 percent, and others. However, there are also individuals who are not employed as a result of lack of siutable work in their fields, inconvenient shifts or difficult labor conditions. This category accounted for about 9 percent of the total. They represent a real source of manpower and, providing that certain conditions are met, could become part of the social production process.

The bulk (about 70 percent) of the economically inactive individuals are housewives. Of them 24.1 percent would like to work providing that their children will be accepted in kindergartens or boarding schools. Furthermore, other employment conditions which were mentioned included a shorter work day, vocational training and others. That is why the inclusion of the economically inactive individuals in public production calls for a careful study of the reasons for which they are unemployed and the creation of the necessary socioeconomic prerequisites for their employment. Let us indicate among such prerequisites, above all, the gradual assumption by society of the care for raising the growing generation, the broadening of the area of public services, with a view to freeing the women from household chores, and others.

Bearing in mind the limited nature of manpower resources, in the future the problem of the effective utilization of available manpower will become even more important. The first problem to be considered in this connection is that of reducing manual labor. We know that presently it accounts for a considerable share of national economic employment. If high and stable rates of economic development are to be insured in the Eighth Five-Year Plan and in the more distant future, we must drastically reduce the share of manual labor by raising the level of production mechanization and automation. Our main attention must be focused on reducing, above all, underskilled and heavy physical and unattractive labor which is extensively used in transportation, loading-unloading, warehousing and other types of auxiliary work.

Reducing the share of manual labor will not only contribute to the further growth of labor productivity but will constitute an important prerequisite for the more extensive involvement of young people in public production. Practical experience has proved that enterprises and sectors using a considerable amount of manual labor are finding it ever more difficult to hire young workers, even at higher wages. In the future, as educational and cultural-technical standards become higher, the working youth will formulate ever stricter requirements concerning the content of the work and labor conditions.

All this indicates that the processes related to the reduction of manual labor must be planned. We could use in this respect the rich experience of the Zaporozhskaya and Chelyabinskaya oblasts and the Lithuanian SSR. In our country, on the initiative of local party and state organs, this initiative is being developed in Ruse Okrug. However, it must be assisted, expanded and helped to develop on the national level.

Improving the vocational-skill structure of employed individuals is an important factor in the effective utilization of manpower. We know that the educational and skill standards of employed individuals, of workers in particular, is inconsistent with the requirements of the technical standards of the production process. Currently most of the workers are graduates of grammar schools or of even lesser schooling. Furthermore, more than one-third of them are underskilled. The low educational and qualificational standards of cadres is one of the reasons for a lowered labor productivity, working time losses and increased production of defective goods. Its end result is a drop in production effectiveness.

As indicated in the materials of the July 1979 BCP Central Committee Plenum, the party's course of accelerated application of scientific and technical progress, intensification of the national economy, and achievement of maximum results through the comprehensive and effective utilization of available possibilities and reserves urgently raises the problem of cadre skills. In this connection, a unified national system for upgrading cadre skills was developed on the basis of the 24 July 1980 Council of Ministers Decree No 42. The main objective of this system is to maintain and make the training of level of cadres always consistent with the tasks of the country's socioeconomic development, with scientific and technical progress and the rapid increase of social production effectiveness. It encompasses all management and performing cadres. The development of the unified system will offer greater opportunities and conditions for the management of such processes.

Considerable opportunities for the effective utilization of manpower may be found also by improving the socialist organization of labor and reducing time losses and turnover. The role and significance of organizational factors must be enhanced in the formulation of engineering designs and counterplans at all levels. We know that even the most advanced equipment will not yield the necessary results if the existing shortcomings in the organization of the work are not eliminated. Conversely, even at the present level of technological saturation, the effective utilization of the manpower could be improved by improving the production and labor organization. Quite frequently manpower shortages coexist with major concealed manpower reserves. Whenever order and organization are lacking, labor discipline is inevitably infringed and turnover intensifies. The work done in this respect after the 1978 National Party Conference indicates that in enterprises which improved the organization of production and labor, labor discipline strengthened considerably and labor collectives became stable.

The socialist organization of labor also involves insuring the rhythmical nature of the production process, the strengthening of labor discipline, the reduction of time losses and the development of normal labor intensiveness. Particular attention should be paid to reducing worker turnover. In recent years, thanks to improvements in technical production standards, labor conditions and housing-communal and cultural consumer services and the implementation of a number of measures aimed at raising wages, based on Council of Ministers Letter No 50, manpower turnover was reduced. Nevertheless, its level remains rather high.

In a number of settlements, trade, public service, and transportation enterprises and establishments have still not adapted their working time to the work day of production collectives, which leads to time losses. The personnel of many enterprises still frequently leave their work to carry out social assignments or participate in a variety of mass measures. That is why we must improve the work regimen of sociocultural institutions, trade and public catering enterprises, urban transport, communal services, children's and medical establishments and others. Their working time must be the most convenient for the working people, i.e., must be coordinated with the working hours of the week.

The improvement of planning is a major prerequisite for upgrading the effectiveness of the utilization of manpower resources. Manpower resources are a complex planning target, for their effective utilization largely depends on the decisions included in many other sections of the plans for socioeconomic development. Let us mention among them the location of production facilities, allocation of capital investments, scientific and technical progress, social program, and so on. Labor resources are affected by all basic socioeconomic processes which determine the nature of the economic policy of the socialist state. One must bear in mind that that the directions related to improving the management of labor resources must be defined for long periods ahead and require considerable expenditures.

The role of planning in insuring effective population employment is defined by the fact that changes in the formation and utilization of manpower resources take place, as a rule, in the aftermath of the socioeconomic processes which affect them. That is why if we set the goal of achieving certain changes in the area of manpower resources in, let us say, 1990, the prerequisites for such changes must be laid as of now. The new stage and new tasks in their formation and utilization also demand new ways and means for their solution. This will require a departure from the traditional approaches to the formulation of the plan sections which determine the nature of utilization of manpower resources. The basic feature here is that in the course of the planning process the "labor resources" factor is considered a determining one in the choice of directions and development targets. Consequently, upgrading the active role of planning in insuring the effective utilization of manpower resources presumes the intensification of the comprehensive nature of all types of planning.

More comprehensive planning does not reduce the role of specific plan elaborations directly applicable to manpower resources. Conversely, requirements governing their completeness and quality become considerably stricter. For example, the quality and completeness of the demographic forecast is an important factor in the substantiation of the choice of optimum decisions in the field of deployment of production forces, capital investments, utilization of the strategic directions followed in scientific and technical progress and so on. Finally, the comprehensive nature of the problems related to the effective utilization of manpower resources presumes the further enhancement of the work levels in this area both on the part of the planning and the labor organs and their increased competence and responsibility for the implementation of their functions at all management levels.

Therefore, the main feature in the formation and utilization of manpower resources in the country in the future will be defined by the great increase in requirements governing the balanced development of sectors and individual territorial units with the available manpower with a reduced natural growth. The significance of the social aspects in the utilization of manpower resources will become even greater in the future. As the prosperity and educational and cultural-technical standards of the population continue to grow, so will requirements governing labor conditions and their meaningfulness. Finally, the role of the social aspects will be increased in connection with the need to pursue an active demographic policy, for the nature of the population's employment has an essential influence on its reproduction.

The task of balancing the development of sectors and the territorial units with available manpower resources gives priority to intensive factors in economic development and calls for upgrading labor effectiveness in all sectors, enterprises and individual workplaces.

FOOTNOTES

1. RABOTNICHESKO DELO, No 212, 30 July 1980.

2. T. Zhivkov, "Accountability Report of the BCP Central Committee for the Period Between the 10th and 11th Congresses and the Forthcoming Tasks," Partizdat, Sofia, 1976, p 72.

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MORE ON THEFTS, CORRUPTION IN AGRICULTURE

Sofia ANTENI in Bulgarian 4 Mar 81 pp 1, 4

[Article by Georgi Chinkov recorded by Spas Popov: "The Marriage Banquet Goes On; the True Story of a Watchman"]

[Text] To be a field-keeper in a place such as Velingrad is hard work, particularly for a newcomer like myself. There are lots of people, the city is crowded by summer tourists and many people break the law. I, however, do not know them.

In the past, when the TKZS [Cooperative Labor Farm] existed, discipline was better. Team and brigade leaders and agronomists gave us a great deal of help. Georgi Kaloyanov, the chairman, has personally accompanied me many a night in my rounds of the fields. He would put on his boots and padded jacket and we would take off. I have not met another chairman like him. He was a disciplined man, intolerant of violations, thieves and wasters of the people's property. He was a great manager! He always spoke out in support of the field guard. "The owners of the cooperative property," was the name he gave us, and we were ready to go through fire for the sake of protecting the fruit of the land from thieves. At that time I willingly spent entire nights in the fields, or watched suspected violators for a couple of weeks, as I could see that our work was valued and our efforts were not being wasted. We made our tours, we did our job and took good care of the land....

Thousands of summer tourists come to Velingrad from all parts of the country. These are free people who do a lot of walking in the fields. They go for a walk, to breathe fresh air, but many of them yield to temptation, go into the people's property and steal the fruit. By now I know the faces of almost all the local residents and I can quickly identify violators.

Most of the thefts have been taking place both now and in the past in Kamenitsa. The people of Kamenitsa and the tourists from the entire city compete in stealing hay, apples, alfalfa, tomatoes, cherries, plums or string beans. During the night we watch out for shepherds who let their herds graze in meadows, gardens and potato fields. One night Chairman Georgi Kaloyanov and I caught some violators. An economic brigade had been there to ensile the corn. They had picked good large-grained ears. We caught the workers carrying two to three bags each, full of fresh corn ears. The corn was confiscated and the people were punished.

Ten minutes later I made another round. I stopped the truck on which the members of the brigade were riding and discovered some 10 bags filled with corn. The workers came from Kostandovo Village. They had stolen bagsful of table corn. They were feeding it to the hogs they were fattening for the Rodopa enterprise or else were boiling and selling it to the tourists. This was big money which should have gone to the farm.

Many are the violators and most of them are caught on the spot.

It was apple picking time. We went to have lunch. We were served meatballs whereas we, the field guards, wanted stew. All of us have got ulcers and have expanded lungs from too much walking and irregular meals and sleeping hours....There was a shortage of wooden cases and the apples had been piled up in big piles. The area was crowded and we were chasing after the thieves night and day. We wanted to lunch quickly but the manager shouted at us to wait for our turn. We, however, were in a hurry. There were cars passing by, stopping, filling up their trunks and rushing off. They were stealing the fruit. The theft of even two bags is a loss to the farm. We had to wait for our turn.

"There are no meatballs. We are out of them!" the cook said.

I had a little bread left but my colleague had nothing. I gave him the bread, mounted my horse and started for home.

"Wait for me here at four o'clock," I shouted to him without telling him what my idea was.

When I returned he was waiting for me.

"The cooks will be going now," I told him, "and we shall investigate them. It is impossible to bring so much ground meat and yet leave workers without food."

We went to see the watchman of the farmstead. I said: "If the cooks take the road there, start scratching your head. If they take the other road, start scratching your back. This way we will know where to ambush them."

We moved away and stretched down. The watchman would be watching them. I saw him scratch his head. We moved to the road to block them. At the same time, a small bus showed up, from the direction of Kostandovo. We were some 100 meters away from it when the cooks entered the bus. I stood up on the highway holding my rifle in a horizontal position and the bus stopped.

"Don't budge until we tell you," I told the driver.

My colleague and I entered the bus and checked the luggage of the three cooks. Their bags were full of meatballs, ground meat and rice. They were loaded! We told the cooks to get off and the bus driver to drive on. We started walking back to the farmyard. A number of people were walking along and I failed to catch one of the cooks as she dropped into the ditch two bags with ground meat. Every one of the cooks had stolen 74 meatballs, 5 boxes of rice and 3 kg of ground meat each, not counting the 2 bags in the ditch.

We reported the incident. What did they do to them? Nothing! Nothing! Someone telephoned someone else and the matter was hushed up.

"They had the right to take the products for which they paid," said the new chairman and the chief accountant in their justification.

So, we caught the thieves, but the management hushed the matter up. If the products were to be paid for, why not take them from the warehouse rather than from the kitchen? And why is it that their faces turned white and why did they throw the two bags into the ditch? Boys from Draginovo saw the cooks throw the bags into the ditch, took the ground meat, made meatballs on which they feasted with a few cases of beer. What kind of person would throw away meat he has paid for? And consider how much food the field workers were deprived of. I asked the cooks:

"Whose was the ground meat?"

"It was the bookkeeper's....It was that there chief...."

In the confusion the conspiracy became apparent and that was the reason for suppressing the theft. Since both the chairman and the bookkeeper had acquitted them, I thought, another way had to be found to fight thieves.

Then, just imagine! The thieves wanted...to sue us for slander. I thought to myself, that is the living end! How is one to fight those who steal the people's property!

This, however, was not an isolated occasion.

Tsikoto was a colleague of mine in Kamenitsa. He was a bachelor and was quite good as a field guard. He had been appointed because of a disability. Some private farmers had bought sheep to raise them for the Rodopa enterprise and had hired a shepherd. The shepherd was in the area under my jurisdiction and frequently broke the law. I chased him off. He moved to Kamenitsa. The next day my colleague caught him and took the entire herd to the farmyard. The owners of the sheep came in their passenger cars and took them away. Nothing was done to them and the official documents were suppressed. Ten days later Tsikoto once again caught the shepherd in an alfalfa field. He wanted the sheep to put on weight and, therefore, fetch more money. Once again the field guard took them to the farmyard and decided to spend the night there. Meanwhile, the shepherd went to the village, found the owners drunk in the restaurant and told them that Tsikoto had once again confiscated their sheep. The private farmers jumped into their cars and located the field guard. He was resting in the little room next to the scale. They knocked and Tsikoto opened the door. They hit him and he fell on his back. They took him outside to the terrace and threw him down from a height of one and a half meters and started jumping on top of him, and hitting him until he passed out. The watchman at the farmyard, even though armed, took fright and disappeared, looking for help.

Tsikoto spent 40 days in the hospital in Velingrad. They had broken his jaw, four teeth and three ribs and had scrambled his brain. The fractures had been mended improperly so he was moved to the okrug hospital in Pazardzhik, where they broke the bones again and put him in plaster. He spent several months in the hospital and did not come out a well man.

They tried those who beat him and what happened? They were sentenced to pay 1,500 leva each and serve one year in jail. They appealed. The sentence was reduced to probation, in other words, to nothing. My question is, why did they spare the thieves and the muggers while Tsikoto was guarding the people's property? With this in mind, how could I go out at night to fight criminals? Does it make any sense to try to deal with them, to detain and fine them, while the managers and the authorities protect them rather than me? Now I am afraid of thieves. I do not dare to come close to a criminal or to defend myself. Both management and the authorities are not supporting us. If I fire a shot in the air, they laugh:

"Carry on, old man! The party goes on...."

They are impudent because they know I cannot use my weapon to shoot them and that no one would try, fine or expose them publicly. That is why they go on stealing, filling their bags, their carts or their trunks, carrying stuff away, while we, the field guards, can only look on....

I caught a man with 200 kg of dry alfalfa. I took him to the farm office. What did they do to him? They took the adding machine and calculated that 200 kg at 6 stotinki each was 12 leva. They neither issued him a summons nor made him pay the money. He took the alfalfa and left. Someone rang up and told them not to touch him. This suits the thieves fine: they load and take off; if they are caught, they pay for the products at state prices; if not, they take the goods to their barns and everything for free.

I was guarding a stack of potatoes. I heard the alarm. I saw 2 people 10 meters distant from each other, operating like saboteurs. I let them fill their bags with potatoes to the halfway mark and shouted:

"What are you doing here?"

"I lost my wallet here today and we have come to look for...."

"Why have you come here? What if I was quick on the trigger and scared and had shot at you?"

"You would be held responsible, you have no right," the thieves answered.

I drew up a statement. The court rejected it because it did not show the weight of the goods! Where could I find such a document at night, when the scales are locked? And what to do? There were two of them while I was alone.

Once again the thieves remained unpunished....

That is why the thieves have become brutal, insolent and impudent and act openly. With their shirts unbuttoned and their sleeves rolled up, they jump in their truck and come to steal apples. These were not people using bags, horse carts or passenger car trunks. They had come with an entire truck--10 tons of it! It so happened that I was together with the agronomist when we confronted them. They jumped into the truck and ran off. I asked the prosecutor:

"In such cases could I shoot at the tires?"

"No! You have no right. Take down the license and then we try them."

How could I see the license number when they did not turn on their lights but drove away in the moonlight? Was I to run after the truck?

Once again the thieves remained unpunished....

We caught one with 640 kg of corn. Boiled and sold to the tourists, this would bring him some 700 leva. It would take him one day and half a night! He was neither fined nor was his motorcycle confiscated. If I had not caught him how much loss would the farm have suffered? Who would not steal knowing that it is safe?

Actually, we guard nothing. Punishments are not meted out according to violations but according to who is caught. The thieves have their own people who, the next day, start ringing up telephones, the managers suppress the summonses, justify the thieves and then accuse us:

"Why are you not guarding? We shall fire you!"

At the end of every year, however, we are rehired for another 12 months.

How can I guard and who should I be watching out for when all delinquents are acquitted and left unpunished? The people's property is disappearing under my very own eyes. I have been a field guard for 20 years, but I have never seen such waste and theft as now. Every day everything is becoming looser and looser, and the thieves are climbing all over us and doing whatever they want. Yet, very strict discipline and just punishment should be used against the evildoers, as was the practice once in my native village.

I began my field guard career in Gostun Village, Blagoevgrad Okrug. On the third day of my job I caught the most beautiful woman in the village breaking the branches of someone else's cherry tree and filling up her basket. She and her child had caused a great deal of harm. The mayor allowed her to be walked to the village to the sound of a bagpipe. She walked under the sound of the bagpipe for no more than a couple of hundred meters, after which I released her. For the next 10 years, however, nobody broke the law.

Allow me now to march along Velingrad's marketplace, carrying the stolen goods, with a drum beating, and you will see how stealing the people's property will come to an end. Everything comes from the people and is for the people. If there is a beginning there can also be an end. Today, however, there are no strict punishments, no measures are being applied against the guilty.

Could the stealing of the fruit of the land be stopped? It can! My father, who had been disabled in World War I, having been wounded in one arm and the legs, used to say:

"If you have started out to kill a person or steal something, take three steps forward and five steps backward, stop and think for about 10 minutes, and you can rest assured that you will turn to the other--the straight--way...."

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GDR-USSR COOPERATION IN BASIC RESEARCH ANALYZED

West German Commentary

Bonn IWE-TAGESDIENST in German No 37, 9 Mar 81 pp 3-4

[Report from Berlin: "Continuously Closer Cooperation With Soviet Union in Research." A translation of the article by the GDR Academy of Sciences general secretary, cited below, follows this commentary]

[Text] Basic mathematics and natural science research in the GDR is undertaken almost exclusively in close cooperation with Soviet research institutions. There was today no significant task in the research plan of the GDR Academy of Sciences, its general secretary, Prof Claus Grote, announced, that was not subjected to cooperation with the USSR. It could also be seen from the five-year plan for scientific cooperation between the academies of the GDR and of the USSR up to 1985, which referred to more than 200 subjects of all science areas on which they were working together. The chief research projects, according to Grote, are the production and rational use of energy, the extracting and refining of raw materials and fuels, the development and use of synthetic materials, the broad application of microelectronics, and the development of biotechnological procedures. This international cooperation made it possible for the GDR in the first place to keep expenditures and risks within limits in these fields and achieve and use internationally noted top accomplishments. While cooperation with the Soviet Union, according to Grote, functioned rather without friction as far as the direct research was concerned, a rapid and broad use of the results had become a "crucial problem." (EINHEIT No 3, 1981)

GDR Academician's Analysis

East Berlin EINHEIT in German Vol 36 No 3, Mar 81 signed to press 9 Feb 81 pp 234-239

['Scientific-Technical Progress and Society' feature article by Prof Dr Claus Grote, general secretary, GDR Academy of Sciences: "Cooperation With USSR in Basic Research"]

> [Text] International socialist research cooperation has significantly contributed to the successful balance-sheet of the research by the GDR Academy of Sciences.

> Its centerpiece has been and is the close cooperation with the scientists from Lenin's land, with the immense research potential of the Soviet Union. It has led to the development of new research fields and many top achievements in basic research. What efforts have to be made to further intensify this cooperation? How can through a faster and broader use of results the effectiveness of basic research be further elevated?

At their kreis delegates conference in January 1981, the communists in the Academy of Sciences, GDR (AdW), proceeding from an analysis of the academy's development since the ninth party congress, worked out their tasks in continuing the preparations for the tenth party congress and thereby defined their battle plan in conformity with the higher criteria and major emphases in the 1980's, in accordance with the guideline from the 13th SED Central Committee session and Comrade Erich Honecker's Gera speech.

While our Academy was able to draw up a successful balance-sheet for its work and for its increased social effectiveness, the development of international socialist research cooperation with science institutions of the fraternal countries has significantly contributed to it. This cooperation has become standard procedure in our research activity. Its importance is deeply anchored in the consciousness of most associates.

The centerpiece of these relations has from the outset been the close cooperation with the scientists in Lenin's land, with the immense research potential of the Soviet Union. These relations develop on a solid foundation. They rely on the spirit and stipulations of the 7 October 1975 GDR-USSR friendship, cooperation and mutual assistance treaty.

Struggling for Top Achievements

Science cooperation with the USSR in basic research has reached a high plain. It has become more effective between 1976 and 1980 through further advances in the concentration on scientifically and economically important focal points, the increased proportion of cooperation in terms of a division of labor, and the accountability to bilateral commitments in many areas. It has significantly contributed to securing the necessary scientific lead time in such crucial areas as workpiece, catalysis, petroleum and nuclear research, nuclear energy, electronic microscopy, molecular biology, biotechnology and medicine, and it has significantly advanced and supported the fulfillment of national research tasks in many science disciplines from astrophysics via mathematics all the way to the social sciences. Cooperation with the USSR has been the basis for the GDR's contributions to space research. In microelectronics, e.g., it helped create the necessary lead time for the 1980's in selected areas such as to further reduce the still existing disparity with the international level and to codetermine the international level in certain areas. It enabled us to achieve international top achievements in areas that alone we could hardly have started with any prospects of success.

Of the scientific results achieved through joint research, the following may be singled out:

In the field of space research, the projects on long-distance exploration of the earth, the science on materials and on space biology and medicine (cooperation with the Space Research Institute of the USSR Academy of Sciences and others); in the field of nuclear research, the joint development and testing of new combustible materials for research reactors, leading to a much better performance of reactors (cooperation between the Central Institute for Nuclear Research of the AdW, GDR, and the Leningrad Institute for Nuclear Research); in the field of solid state physics and materials research in exploring the elemental processes of plasticity and break, probing the role of point defects and surfaces in elemental processes of plastic deformation and break in solid bodies. New ways were found here for making materials more solid through repairing microfissures (cooperation between the Institute for Solid State Physics and Electronic Microscopy of the AdW, GDR, and the Institute for Crystallography of the AdW, USSR, and the Physics-Technical Institute of the AdW, USSR); in the field of chemistry (physical chemistry) new discoveries were made about selective adsorption in zeolites (aqueous calcium or alkali-alumina silicates) as contribution to the further development of new separation procedures (cooperation with the Institute for Physical Chemistry of the AdW, USSR and others); in the field of mathematics and computer technology, classification algorithms were jointly developed and used for medical and technical diagnostics processes, e.g. in meteorology, in microbiological problems, in the exploration of natural resources and so forth (cooperation with the Central Institute for Cybernetics of the AdW, USSR); furthermore in the cooperation of the BESM computer centers for joint projects on operations systems accommodation and the exchange and use of program systems, for instance for power networks and their control; in the field of the biosciences, the development of a highly effective progestin with a broad range of uses in human medicine (cooperation between the Central Institute for Microbiology and Experimental Therapy, VEB Jenapharm and the Institute for Experimental Pathology and Therapy of the Academy of Medical Sciences, USSR), and the discovery of the working of plant hormones, especially gibberellines and nitrid abcisine, in the regulation of vegetative processes, and the preparation of several joint patents for producing specific, radioactively marked gibberellines (cooperation betweeen the Institute for Plant Biochemistry and the Institute for Organic Chemistry of the AdW, USSR, and the Institute for Plant Physiology of the AdW, USSR); and in the social science field, successful joint efforts led to much noted sessions equally important for science and practical fields, and to other events. Many joint publications came out--e.g., as a joint compendium between the Central Institute for History in our Academy and Soviet historians, the volume entitled "The USSR's Struggle for Peace and Security in Europe, 1917 to the Present."

For most of these outcomes it is characteristic that they were achieved in areas where there had been relations over many years, where there was far-reaching agreement of interests with respect to the objectives and the cooperation, where highly skilled research collectives and researchers could be used by both sides, and the personal acquaintance of the partners made possible realistically to assess the partners' efficiency and validate them in terms of the plans for subject-oriented cooperation and deadlines.

Planning for Long-Term Cooperation

For our Academy and our scientists these relations have been and are of inestimable value. Along with the immediate implications of this cooperation in terms of a division of labor to national research tasks such as the saving of manpower, time and material, the rational utilization of scientific data, the suitable utilization or capacity use of available unique science equipment and installations and so forth, many indirect effects also result from it that can hardly be computed down to the last penny but are rated to be extremely great by all who are involved. For instance, through a systematic exchange of information among the scientists, through consultations in situ, and through more deeply penetrating the partner's experimental or methodological-scientific know-how, errors or detours can be avoided, certain research phases can be omitted, methods and procedures can be taken over and new approaches be shown. Most essential in this regard to us is the following aspect: Within the scope of the USSR's basic research virtually all fields are comprehensively taken care of, and among them are such as for reasons of a limited capacity, cannot be pursued or can be pursued to a limited extent only, i.e., "subcritically," in the GDR. Our desire in GDR basic research to concentrate on selected major tasking areas of great economic or general social relevance therefore receives an objective basis through our cooperation with the USSR. Through our constant close contact with the immense Soviet research potential, our own strategic science considerations receive more assurance and a broader foundation. Our friendly relations, furthermore, are a guarantee to us that for science trends that are newly suggesting themselves and for their possible utilization we can count on support from our friends in the Soviet Union when we develop our own potential. For that we need of course high achievements and great dedication on our part. In the past also important research fields like nuclear research or space science in the GDR were developed with the aid and assistance from the USSR. Without such help they would hardly exist at all but certainly not have obtained the present level.

There is therefore no significant task today from the research plan of the AdW, its tasks under the science and technology state plan and under the central social science research plan included, that is not included in our cooperation with the USSR. This fact is also reflected in the five-year science cooperation plan between our Academy and the AdW, USSR, for 1981 to 1985, which refers to over 200 projects from all science fields which we are working on together. The preparation of the new five-year plan on cooperation between both academies in substance relies on the science cooperation guidelines set down in the production specialization and cooperation program between the GDR and the USSR up to 1990. The same holds true for the Academy's many contributions in implementation of government and other state accords between the GDR and the USSR in science and technology.

All these accords--such as that with the Academy of Medical Sciences, USSR--and the different cooperation relations with Soviet universities and other science institutions serve to create the scientific lead time in economically decisive areas. That includes energy production and its rational use, the extraction and use of raw materials and fuels, the development and use of synthetics, the broad application of microelectronics, the development and employment of industrial robots, especially of the second and third generation, and the development of biotechnological procedures and others, mainly aimed at energy conservation. They are aimed at such social focal points as problems of nutrition and a healthy way of life and at such topical social science problems as the exploration of the inevitabilities in the continued shaping of the developed socialist society and at sound contributions to the ideological problems in the international class conflict.

By orienting our research to these basic matters, we benefit from the rich experiences of our Soviet comrades. We also learn to cope better and better in this international cooperation with the problems of combining research on the borderline of today's understanding with economic problems. And more than that: it is precisely the need for us to concentrate our capacities on lead-research for national social, and especially economic, concerns that presupposes international division of labor in basic research, be it undertaken by our Academy, in the university field or by other science institutions. It, after all, only makes it possible altogether to keep expenditures and risks within limits in these fields and to achieve and use internationally noted top accomplishments.

It therefore is of crucial importance and attests to the high plain and quality of our cooperation that for some years now we have gone from reciprocal information on national science and technology plans and a division-of-labor agreement on specific plan tasks to a joint coordination and elaboration of the chief development trends of scientific-technical progress and to a joint more long-range or long-term planning and cooperation. Thus we are carrying out, especially with the AdW of the USSR, regular consultations on the presidium level and coordinate the problems in the strategic development and planning of basic research. One may in this context refer to the activities in consulting on the conception of the long-term development of basic research in the GDR up to 1990 or, in its more specific version, up to 1995, and to the comprehensive program for the scientific-technical progress of the USSR and its socioeconomic consequences.

More Intensified Cooperation

Built on these relations, in meetings of experts which have become important joint science management bodies of our research cooperation and are normally held every 2 years in comprehensive or specific fields, the main long-term directions, development trends and goals of the science area concerned are dealt with. From there at the same time the concrete projects are derived for joint cooperation from 1981 to 1985 and the joint tasks of major emphasis and their priorities are set down. This extended with visible success the efforts to overcome an earlier tendency in some institutions to split their capacities and means in our international cooperation. In this regard also a new quality was initiated through joint science presentations during lectures at our Academy together with corresponding departments in the AdW, USSR--first of all in the fields of chemistry and physics.

These activities, aimed at intensifying our cooperation, were furthered through other measures taken by management in both academies. In developing modern science equipment, which in experimental research becomes more and more of a key problem for coming up with optimum achievements, both academies work together in many different ways. Within the multilateral academy agreement on scientific equipment construction, initiated by A. P. Aleksandrov, president of the USSR Academy of Sciences, both countries' academies take care of a considerable part of their requirements. The GDR Academy of Sciences, moreover, uses the possibilities to make research more effective by means of its own testing and equipment aggregates in unique larg-scale USSR installations such as the 70 giga electron volt proton synchroton at Serpukhov, or at TOKAMAK-10, an experimental fusion reactor at the Kurchatov Institute in Moscow, whereby it participates in experiments on the highest level. On the initiative and with significant support of the Institute for High Energy Physics, a relativistic ionization streamer chamber (RISK) was developed and constructed for high energy experiments in Serpukhov. Our Academy's Central Institute for Electron Physics developed a special testing aggregate for wall analysis by means of secondary mass spectroscopy and auger electron spectroscopy (WASA) used with TOKAMAK-10 aimed at the control of processes on the wall of a nuclear fusion reactor.

This higher cooperation effectiveness also serves the coordination program for the development and construction of certain types of important equipment for research and the agreement on the exchange of equipment and devices.

The academies' cooperation in training and advanced training of personnel, science information and the patent right and licensing system contributes to the further deepening of relations and, simultaneously, to the gradual development of a comprehensive and cohesive system of a scientific and scientific-technical infrastructure in the socialist countries.

To Insure Rapid Application

A rapid and broad utilization of results achieved has become a decisive problem for further improving the effectiveness of basic research. That is above all of course also a matter of the level of our research. But it is not only that, because even within the national framework there are many problems in applying even important results in economic practice, and they are no less in using jointly achieved results through international research cooperation. Solving them requires involving the relevant industries of the partner countries at a good time. This is all the more important because usually extensive applied R&D is still needed between basic research data received and their use in material production, which primarily is the task of industrial research centers. To realize such projects, we think, the following is necessary: Full agreement of the objectives of the joint research program with the requirements of the specialization and cooperation programs and orienting the tasks derived therefrom to a direct economic utilization of results; concentration by the partners on selected viable scientific major emphasis tasks within the overall program, adapted to the scientific and economic profile and the productive capacity and experiences of any given country; long-term planning and coordination of the research to be conducted jointly, breakdown of reciprocal obligations in annual plans, precise assignments and accords on parameters and deadlines for partial and final performances; systematic inclusion of the R&D capacities of industry and other areas in this cooperation, to fully exhaust, for one thing, available productive capacities of suitable national potentials on behalf of the overall program and, on the other hand, to insure a rapid and direct application of the research data in practice, which also includes the technological experiences gained; use of stable, efficient and, if necessary, interdisciplinary national collectives meeting their tasks with high political awareness and dedication; clear determination of the national and international management structure including a responsibility and task delineation; and creating optimum conditions for a smooth and uncomplicated organizational-technical implementation of projects.

For such far-reaching requirements, it is understood, agreements between the academies do not suffice. Experiences from cooperation in space have shown that for the authorization sought for making use jointly of the production sphere, government or other state agreements are needed.

The scientists of our Academy cannot cope with all that by themselves. It is necessary, however, that they, through their deeper social insights into complex economic processes, in good time direct attention to the need for concluding such interstate agreements and help create the prerequisites needed for them.

But also within the academies' agreement we must aim at raising the degree of the division of labor and at accountability to joint requirements. For structuring research more effectively, the projects in bilateral cooperation between the two academies are in the new five-year plan for the first time broken down into three categories. This differentiation according to priorities is meant to stimulate a greater concentration on main emphasis areas. Important also is the fact that joint distinctions are awarded for outstanding cooperation results. It is important for the years to come to use the experiences in the application of such methods in stimulation within the framework of the management and realization of our research cooperation.

The new five-year plan will also take an influence on having assessments in preparation for conferences of experts made more jointly for the various science fields and according to uniform criteria. That is meant to serve the generalization of tendencies and problems for the overall cooperation between the two academies, and thus our objective of improving our effectiveness.

Proceeding from the good experiences in our cooperation thus far and with a view to the higher requirements of the 1980's, the CPSU and SED congresses will also lend new impulses to our international socialist research cooperation. The scientist of our two academies can enter the new round with positive achievement behind them. They will have their share in the continued mastery over the scientific-technical revolution, the strengthening of the countries in the socialist community and the securing and consolidation of peace.

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CSO: 2300

NEW APPROACH, GREATER RISK-TAKING IN RESEARCH, PRODUCTION URGED

East Berlin EINHEIT in German Vol 36 No 3, Mar 81 signed to press 9 Feb 81 pp 240-244

['Scientific-Technical Progress and Society' feature article by Prof Dr Siegfried Schiller, deputy director, Manfred von Ardenne Research Institute: "For Large-Scale Application of Research and Development"]

> [Text] Meeting the great challenge to our country's scientists in the present and future also means a more favorable cost/benefit ratio in research. From his own experience, the author thinks it especially important to produce a creative atmosphere in the collectives, give a greater encouragement to risk-taking, and use all opportunities f·· properly combining and interlinking all levels in R&D. It mainly depends on a scientist's will and correct political attitude to produce high social benefits.

Scientific activity enjoys special encouragement by the party and government in the GDR. Funds made available for R&D are extremely high--in respect to our national income. Our educational system likewise enjoys international respect. Well trained personnel also is available. Thus we have solid starting positions to continue and make good headway and still better meet the demands of the world market as far as the labor productivity and the technological level of our output, the quality of our products and their manufacturing costs are concerned. The status of our output, compared with world standards, in particular also reflects the effectiveness of our R&D. We thus need a critical analysis of our own science achievements to find the proper focal points for our further R&D activities.

He who has seen industrial R&D facilities in socialist and capitalist countries and could gain an impression about equipment, financing, working procedures and results is likely to agree with me if I first contradict the widespread opinion about the generally "unfathomed opportunities" with respect to the funds and the variety and level of equipment in highly developed capitalist industrial countries. That may be true of some exclusive research facilities of large corporations. But many technological innovations also come from the many small and medium-size firms and institutes which with small investment in equipment and personnel are doing development work and convert their ideas into salable processes and products, while the large corporations are forcing them into a high degree of risk-taking. Many a firm in capitalism finds "die or do" to be their only alternative. What remains impressive here is the speed with which new data are applied in production. Be they large or small, be it a matter of basic or industrial research, an assessment of the market situation, economic thinking or, more accurately, profit thoughts pervade the actions of broad circles also in research.

To us this should be all the more of an inducement not to be satisfied with the advances we have made, however proud we may be of them. To fulfill the mission our society has assigned to science we must make still much better use of the opportunities available to us, double our efforts and, in particular, do all we can to improve the cost/benefit ratio in research, which often is still not in line with international standards.

The Last Fifth of Our Century--A Challenge to Science

We pay great attention to the price hikes of energy sources and raw materials on the world market. Embedded within the international socialist economic system, in receiving vital raw materials, assured on the basis of long-term agreements, e.g., at prices more favorable than the current world market prices, the preconditions for production are more stable than on the capitalist market in any country. Yet we too have to import a part of our energy sources and not a few raw materials from the nonsocialist economic region, and so we are in many areas harshly confronted with the price explosions on the world market. And it is to be expected that raw material and energy prices will continue to climb in the decades to come. Several raw materials are going to become very scarce before this century ends. There is a foreseeable limit to our possibilities to tap new energy and raw material sources, while we fully use the ones we have. One of the most important new energy sources therefore is conserved energy, one of the most important new raw material sources, conserved and substitute material--not last thanks to increasing refinement processes.

We need a new way of thinking in research, development and production in order to solve the problems that are connected with it. Much more still must R&D be oriented to products with long working life and that are easily repairable. The material economy must more strongly be optimized with regard to working lives. The throwaway ideology which has spread through capitalist countries means sacrificing the future to the present, and that we must reject for our country still more resolutely today than ever before. The 1981 economic plan and the 1981-1985 Five-Year Plan now in preparation take these requirements for our time into account extensively. It reflects the strength of our socialist planned economy that in spite of conditions becoming more difficult, a high growth rate is anticipated in our national income.

For implementing that objective, our party and government, indeed our whole population, place great expectations on making increasing use of science and technology. The confidence expressed thereby presents a challenge to our scientists and engineers that is unprecedented in our history.

Creative Atmosphere--But How?

Research data come from people, more and more from collectives. Thus interhuman relations, the relationship between management and associates and the atmosphere in the working groups has a decisive role to play for attaining higher efficiency. That is why the cooperation must be organized in such a way that interhuman problems are kept to a minimum, problems that would require much strength. Creativity presupposes enthusiasm and joy about the work. Nothing prospers in annoyance and ill humor. Joy, however, inspires. Free debate on and among all levels of a research institution is a constant source of inspiration and uncovers new ways for overcoming difficulties. What our party, in its endeavor to use the thoughts and the store of experiences of all the people on behalf of social progress, always again emphasizes fully also applies to the area of scientific-technical work: Motor capacities are released when the associates charged with carrying out a decision have themselves have a part in the decision-making. Only when carried out with full dedication can a measure, after all, be crowned with success. It is among the responsible tasks of the party organizations to help shape the kind of atmosphere of confident cooperation in the collectives in which each individual's word is listened to, good suggestions fall on fruitful ground, and initiative and innovative ideas are appreciated and encouraged by the manager. A manager must know enough about the field but, in expert discussion, be wary of making a big showing in an authoritarian fashion, he must merely be a primus inter pares (first among peers). Providing a creative atmosphere means offering many the opportunity for creative work, for everyone needs as broad a margin for decision-making as possible. Placing responsibility on "broad shoulders" enhances the commitment and rids management of too much burdensome administrative work, and it creates time for productive work. The history of great scientific schools shows us that their successes have largely depended on the unity between proper technical and human leadership. Good contacts among the associates on the different levels can avoid many drafts and written position papers and bureaucracy.

The eyeball-to-eyeball responsibility cannot be substituted for even by the best organization and the best system of directions and controls. The model effects and correct conduct of the managers in the most different situations decide on the effectiveness of research.

Risk or Reinsurance?

What do we actually mean by research risk? For capitalist corporations the situation is clear. High profit entices, chances are taken and often relentless contest ensues because to the entrepreneur the matter ultimately becomes a question of to be or not to be.

Our society frees the scientist from the massive pressure to which he is often exposed in capitalism. Our society offers him favorable material and intellectual preconditions for forming his talents and abilities and employing them fully--without anxiety about his future. It provides him with the certitude that he is doing something useful for all society. Thus the prerequisites exist for producing good results. Yet more of them still have to be created to induce still more the scientist's will and readiness for high achievements: all forms of material as well as moral inducement have more strongly to be tied than before to practically suitable research data and their application. Those who work in R&D must still get more of an idea that commitment to society is worthwhile.

Among the subjective and objective conditions that have to be further explored so that we improve the fulfillment of the mission we have received from our society is that the willingness for risk-taking in research, in my opinion, must be fostered especially. For a collective or an institution taking a risk means that commitments are made to a suitable production result even when one cannot clearly predetermine the solutions as yet. Then a project that carries a risk gets started with much knowledge, albeit also with much guess-work. You cannot always work out everything beforehand step by step and in every detail. Sometimes one simply has to venture something new so as to see something new. Besides, never can all known approaches to solutions be pursued to find out what might eventually be the best solution.

Risk-taking is mainly encouraged by the proper attitude of contract partners and managements. That is especially so in the case of difficulties, when things do not go the way one expected them to go. With almost all contract partners of our institute such a confident relationship has formed so that in such situations no "Blackjack" is allowed. Initially and after many intermediate steps we debate in public on which course we want to take and can take, estimate a feasible risk and then get into the boat together and up to the end fight jointly for success.

Through more courage in risk-taking and a target-directed attack on applicable data, research efficiency can be significantly increased. Physicist Georg Christoph Lichtenberg, who worked in Goettingen in the 18th century, once remarked: "When I want to know how late it is I do not care about the way in which the watch functions."

The Dialectical Unity of the Various R&D Stages

No doubt, for the planning, systematizaiton, control and accounting in scientific-technical achievements, and for mutual understanding, certain developmental steps have to be defined and laid down. From my own work I can confirm that it is possible to work successfully with the research planning system in existence if one fully uses its inherent possibilities and sets down the proper priorities. We would repeatedly have gotten into trouble, however, if we had carried out applied basic research, methods research, equipment development and equipment production sequentially, one after the other. Our experiences have demonstrated that often it is suitable to work on things in parallel and sometimes even in reverse order. Mathematician J. von Neumann sometimes put this state of affairs like this: "You first have to have flown to elaborate the right theory on flying." We have put many a research project into production for which we could work out the deeper principles after their production-stage had been under way, and even that only when there was an economic need for it, i.e., when called for by further development or optimization. Often it is not until the production stage that we get the right points of emphasis for deepened technological research. And that is the reason why we frequently use for research puposes equipment that already is in production. Then we get a handle on the further development of procedures and installations on the highest technical equipment level while taking our production experiences into account. This close cooperation with the technology and production of the partner enterprises in turn has an educational influence on our collectives. This significantly enhances our ability to think about practical relevance and our understanding of what is feasible to produce.

Especially conspicuous is the interaction between technological research and installation development and production. For such tasks that our institute is working on there is therefore no chronological and organizational separation. To create also the correct personnel prerequisites for this unity, we have introduced the principle of continuous responsibility. There must, however, be a relay transfer at the phase when things are transfered to the production stage: the procedure and the installation are placed in the hands of the user. To keep problems at a minimumat this phase, a close intertwining between the development collectives and the production areas is of special advantage. Not dividing by reinsurance but combining through cooperation--that is the correct solution which can provide a nearly seamless transition. Experience has demonstrated that it does not matter then whether it involves collectives of the same enterprise or different, legally independent, institutions; what is decisive is the human attitude and the will to success. New procedures and new installations very often also have to bring in new modes of thinking. Training associates in the technological field and in production and maintenance therefore are a standard feature of the transfer activities. The managers of the users' enterprises also have to come to terms technologically with that which is novel, if they intend to retain their motorpower. For that there must be enough time available, lest waves of difficulties overwhelm management.

There is close interaction between the developmental steps from basic research to production. An intertwined handling of the steps, chronologically and substantively, and the use of interim data offer possibilities for boosting efficiency and for reducing the time frame up to the phase of industrial application.

The Scientist's Attitude

We could of course further extend our list of ideas and topics on research effectiveness. Many a reader may be of the opinion that much that is important has not even been mentioned and that other emphases ought to be placed. But how differently the problems in the various institutions may eventually be rated, there is one thing that remains of universal validity: the scientist's attitude counts, his honest will to produce great social benefit. Where there is a will, there is a way. What counts is that the right associate with the training he needs and with the correct attitude occupies the right place. When there is a comradely relationship in and among the collectives and there is good management activity, no parochialism will spread which, as one knows, can make great inroads on efficiency. The correct political attitude finally is prerequisite to that thinking and actions spread beyond any given department and beyond the factory gate.

In an attitude borne by responsibility toward our socialist state, there is then also no block to an extensive multivalent use of R&D data in all sorts of different combines. There are, after all, many procedures that permit and call for application in broad areas of our economy. Our institute takes part in a number of such projects. Our institute, for example, is working right now, together with the Microelectronics Combines, the Hermsdorf Ceramic Works, the Teltow Electronic Components, Robotron and the Torgau Glass Pane Combine, on a new technique in vacuum emulsion, the Plasmatron high-rate spraying, in preparing it for a broad use in production. Basic research for it was done in our institute on orders from the Ministry for Science & Technology. For any combine on its own such a development would have been extremely costly and time consuming. And so one helps the other. Through the form of cooperation chosen it became possible for us in the GDR, not only in research but also in applying it in production, to achieve an internationally recognized top position.

In the organization of industry-related research we have found confirmed time and again that extraordinary potentials can be developed when a manager has a genuine socialist attitude. Not reinsurance but the courage to take risks, not division by proceedings, reports and insisting on competencies, but confident cooperation, not enterprise egoism but maximum concern for the interests of the economy on the whole have always been the latchkey for success.

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GERMAN DEMOCRATIC REPUBLIC

RECENT BOOKS ON SOCIAL EFFECTS OF S&T PROGRESS REVIEWED

East Berlin EINHEIT in German Vol 36 No 3, Mar 81 signed to press 9 Feb 81 pp 253-255

['Scientific-Technical Progress and Society' feature article by Dr Gerd-Rainer Radtke, economist, Institute for Political Economy of Socialism, Academy of Social Sciences, SED Central Committee: "Worth Reading." The article reviews the following six books: 1) "Zur materiell-technischen Basis in der DDR" (On the Material-Technical Base in the GDR), 1979; 2) "Leistungsentwicklung in den Kombinaten und Betrieben" (Performance Development in Combines and Enterprises), 1979; 3) "Oekonomische Leistungskraft durch Intensivierung" (Economic Productive Capacity Through Intensification), 1980; and 4) "Technologie--Wachstum--Produktivitaet" (Technology--Growth--Productivity), 1980--all four books published by Dietz, East Berlin; 5) "Zur Verbindung von wissenschaftlich-technischer Revolution und Sozialismus" (On the Connection Between Scientific-Technical Revolution and Socialism), collection of papers from GDR Academy of Sciences, published by Akademie-Verlag, East Berlin, 1980; and 6) "Wissenschaftlich-technischer Fortschritt und Inhalt der Arbeit" (Scientific-Technical Progress and Work Substance), published by Verlag Die Wirtschaft, 1980]

[Text] It was possible in the 1970's in our republic to boost the economic and social effectiveness of scientific-technical progress further. It essentially contributed to insure a stable rate of economic growth, continue our extensive sociopolitical measures on that basis, and strengthen our republic. It furthered the working people's trust in SED policy and reinforced our positions in the class conflict with imperialism. Systematically continuing this successful course demands "that the greater economic growth be borne more effectively still by higher results in our scientific-technical work, above all through top achievements."*

Initiated by the Scientific Council for Economic Research which, proceeding from the eighth and ninth SED congress resolutions, moved the problems of the qualitative growth in our economy to the center of attention, crucial economic science research concentrated on such highly topical matters in our society as the organic connection of the advantages of socialism with the scientific-technical revolution, the promotion of socialist rationalization, and the systematic organization of the science--technology--production cycle. This research brought it about that the requisite greater importance of qualitative growth factors was clearly recognized and supported the turn to an intensively expanded reproduction. Cornerstones for scientific work in this field were thus set, and more publications were encouraged. We may refer here to the cooperative studies published by Dietz, "Zur materiell-technischen Basis in der DDR" (On the Material-Technical Base in the GDR), 1979, "Leistungsentwicklung in den Kombinaten und Betrieben" (Performance Development in Combines and Enterprises), 1979, "Oekonomische Leistungskraft durch Intensivierung" (Economic Productive Capacity Through Intensification), 1980, "Technologie--Wachstum--Produktivitaet" (Technology--Growth--Productivity), 1980, the collection of papers, "Zur Verbindung von wissenschaftlich-technischer Revolution und Sozialismus" (On the Connection Between Scientific-Technical Revolution and Socialism), from the GDR Academy of Sciences, published by Akademie-Verlag, Berlin, 1980, and the collective study, "Wissenschaftlich-technischer Fortschritt und Inhalt der Arbeit" (Scientific-Technical Progress and Work Substance), published by Verlag Die Wirtschaft in 1980.

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*Comrade Guenter Mittag, "Aus dem Bericht des Politbueros an die 13. Tagung des ZK der SED" (From the Politburo Report to the 13th SED Central Committee Session), Dietz publishing house, Berlin, 1980, p 27.

What do these studies typically have in common in approaching the problems and requirements in accelerating scientific-technical progress, and which conclusions deserve special attention?

First, scientific-technical progress is more definitely integrated in the overall process of the shaping of the developed socialist society. For instance, in the study, "Zur Verbindung von wissenschaftlich-technischer Revolution und Sozialismus" it is said: "The connection between the scientific-technical revolution and the advantages of socialism turns out ever more clearly to be the key problem for implementing the main lines of our struggle for higher economic efficiency. On the one hand, the strongest impulses for tapping new efficiency sources arise from the revolutionary changes in techniques and technology. On the other hand, the economically genuinely feasible advance in efficiency more and more depends on the speed in which these innovations are produced, mastered technically and technologically, and find broad access and application in the economy." (p 81)

The starting point thus is the connection established at the ninth party congress between social progress in our country and the systematic and dynamic growth of the productive forces. Extraordinary importance here attaches to constantly strengthening our material-technical base. Such an approach makes convincingly visible the scope and great urgency of more rapidly still enforcing our scientific-technical progress. The book, "Zur materiell-technischen Basis in der DDR," therefore stresses: "To accelerate scientific-technical progress and, above all, enhance its economic and social effectiveness, using it truly as a 'key' for production intensification, it is necessary to understand it as the most important lever for changing the extant material-technical base and implement it accordingly." (pp 36-37) This idea aims at regarding scientific-technical progress in terms of management, planning and implementation not merely as a totality of diverse technical changes but as a priority process in the changes of the material-technical base. That ties in with extending the science--technology--production cycle beyond production all the way to sales and to the use of the new products and visibly accelerating the innovator processes (innovations) going on within it. Questions that more strongly move into the center of our field of vision concern the absorption capacity for innovations in the extant material-technical base, their more rapid spread, the connection between science and rationalization, and the economically most effective sale of products newly taken on.

Second, many deliberations are concentrating on how the contribution by science and technology to our economic growth can be raised. The crucial switch for it is our perfecting the management and planning of scientific-technical progress as clearly detailed in the brochure, "Leistungsentwicklung in den Kombinaten und Betrieben." The key issue here is "the systematic stimulation, most rational scientific-technical elaboration and technological enforcement of socioeconomically explained comprehensive innovations in the reproduction process" (p 11). The better we manage to deduce from concrete efficiency requirements in any given reproduction process the crucial scientific-technical tasks with an eye to international trends and optimum world standards, and to organize the resources for their implementation systematically, the greater the economic and social effects that can be obtained.

Two important criteria define the yardsticks ultimately to be held, on every management level, against the planning of scientific-technical projects. On the one hand it is a matter of raising the "degree of concentration on main emphasis areas and rationalization projects" that make an important contribution to intensification. (p 15) It is among the most complicated tasks in the management of scientific-technical progress to track down those interconnecting links in the economic and industrial reproduction process, and to concentrate on them our scientific-technical efforts, the higher development of which would have a great strength of radiating into the efficiency growth in many areas. Among the connecting links are, e.g., microelectronics, industrial robot technology, an accelerated development of refined metallurgy and coal refinement, and performance improvement in the building industry.

Also within each combine or enterprise there are such nodules. In years past prerequisites were created for concentrating the research potential in the combines on solving crucial tasks as given with the long-term conceptions for the development of the natural and technical sciences, the technical progress programs, and the eocnomic strategy stipulations in the raw material and energy sector.

Then also, the "stability of planning in the research institutions" must be raised. (p 16) Experiences of progressive combines confirm time and time again that stability in the basic research and production guidelines greatly set the margin available for developing and using the research potential over the long haul and with great efficiency. Stability in basic guidelines is prerequisite to creating clarity on which research tasks are purposeful and on how the available investments are to be placed. It determines which changes in commodity assortments, technologies and procedures ought to be sought and facilitates a concentration on focal points in industrial reproduction. A research strategy that is stable and designed for long term also enhances the ability of the combines and enterprises to react rapidly to necessary changes.

A third point the publications have in common is that scientific-technical progress is understood in its inherent unity of product-oriented technological innovations and not merely as a process that comes out with new products. Especially technological progress proves ever more strongly in our practical activity to be the key to a high economic and social effectiveness of science and technology. In their book, "Oekonomische Leistungskraft durch Intensivierung," the authors therefore also provide evidence for that raising the technological production level largely controls "which economic potentials can be tapped for carrying on our economic and social policy." (p 94)

The towering effect of modern technologies above all lies in surmounting certain barriers in efficiency development. That is why those technologies are of crucial importance to our economy that facilitate for our commodity production solutions which save costs, funds and resources. Enforcing the unity between commodity development and technology, on which our party emphatically insists, must therefore become a focal point in the work of the combines and enterprises.

What becomes especially urgent in this context is the implementation of the economic strategy stipulations as set down at the 13th SED Central Committee session for the economic utilization of available resources through purposeful product and raw material refinement. That calls not only for far-reaching technological advances but mainly also for more rapidly producing such intrinsic values as embody a high novelty value. Decisive impulses for forming the future profile of our economy derive from that requirement. For to the extent that we succeed in obtaining a maximum value increase through optimum refinement per quantity of raw material used our margin expands for producing a[*] constantly growing end product despite scarcer raw material and energy sources.

Fourth, finally, much room is given in the publications mentioned to the social effects of scientific-technical progress. And indeed, scientific-technical progress has the most profound and extensive effects on human labor. It increases its productivity and at the same time effects progressive changes in work substance and labor conditions. From there the decision is largely derived about future production advances and just as much so about the working people's personality development. This is the way the authors of "Technologie--Wachstum--Produktivitaet" put it: "Gradually detaching man from the immediate production process becomes ever more indispensable technologically because the latter to a growing degree must be freed from the limitations of man's subjective productive capacity as far as speed and accuracy of manual operations and data processing are concerned. The change of man's material working conditions thus becomes more and more a technological requirement." (pp 71-72) And the brochure "Wissenschaftlich-technischer Fortschritt und Inhalt der Arbeit" stresses this point: "More and more the opportunities for the working people to develop and enrich their personality and collective relations within the labor process become a decisive criterion for the social efficacy of scientific-technical progress." (pp 42-43)

No doubt, scientific-technical progress in its basic tendendy leads to positive effects on work substances. The demands placed on the knowledge and abilities and the responsibility of the producers rise, their internal motivation becomes more important, the field of opportunities broadens for creating socially intended working conditions. And yet there is in no way any kind of automatism working between scientific-technical changes and favorable effects on labor. Rather, it is necessary, through the full use of scientific labor organization and through orchestrating its sets of tools in the science of labor, and in the full knowledge of what effects scientific-technical progress has on concrete labor activites, consciously and systematically to seek socialist solutions distinguished by high efficiency and personality-promoting characteristics. Ultimately it is a matter of going on and firmly combining the rapidly expanding technical opportunities with the concern and advantages of socialism in this important field in which socialism has given convincing and practical evidence for its historic superiority.

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[*] Ibid., p 37.

The publications referred to provide information about many different theoretical and practical issues in the acceleration of scientific-technical progress, the deepening of intensification, and an efficacious perfection of our material-technical base. They convey a broad spectrum of experiences gained and, through new questions raised, become incentives for thinking further on it and for further research. They address themselves at a broad circle of readers and are of benefit to anyone confronted with the problems of scientific-technical progress in his practical management activity as well as to students and propagandists.

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RECENT TRENDS IN INNER-GERMAN TRADE ANALYZED

West Berlin DIW-WOCHENBERICHT in German Vol 48 No 12, 19 Mar 81 pp 137-142

/Analysis by Horst Lambrecht, (West) German Institute for Economic Research, West Berlin: "Inner-German Trade: Limited Room for Expansion"/

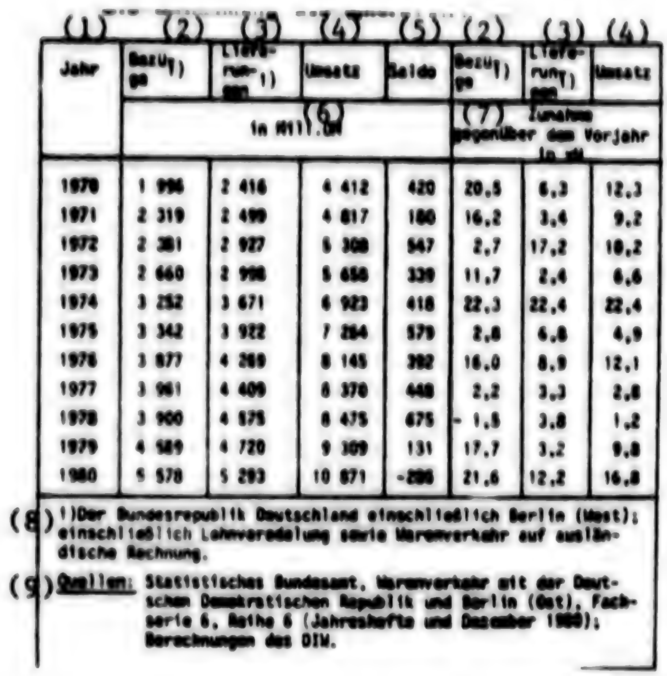
> /Text/ The outstanding results of inner-German trade in 1980 were noticeably large growth rates in both deliveries and purchases and, for the first time in many years, a GDR surplus in the balance of the foods trade. Prices rose by 10 percent, turnover (deliveries plus purchases) by 6 percent in real terms. FRG deliveries stagnated in real terms, purchases on the other hand--adjusted by price --expanded strongly, by 13 percent.
>
> It is highly unlikely that these favorable trends in inner-German trade relations will continue in 1981: The collapse of political relations between the two German states and the worsening of economic conditions in East and West proscribe any forward projection of last year's favorable results.

1980 Results

In 1980 turnover[1] in inner-German trade rose nominally by 17 percent and amounted to DM10.9 billion[2]; as in the year before FRG purchases rose much more (22 percent) than deliveries (12 percent).

The rise in inner-German goods turnover corresponds roughly to that of the FRG's foreign trade generally. The GDR's foreign trade, on the other hand, expanded more slowly, amounting to 10 percent. Inner-German trade lost ground within the scope of the GDR's trade with the West: Though the GDR raised its imports from the OECD countries and the FRG at about the same rate, the expansion in direction OECD states was considerably stronger in regard to exports. According to the still incomplete data provided by the partner countries, imports by all Western industrial countries from the GDR seem to have gained 35 percent in 1980. Last year's GDR export policy was therefore strongly Western oriented: Large growth rates in the trade with the West (and also with developing countries) were accompanied by below average expansion of exports in the intra-Bloc trade.

The Development of Inner-German Trade



(1) Jahr	(2) Bezüge 1)	(3) Lieferungen 1)	(4) Umsatz	(5) Saldo	(2) Bezüge 1)	(3) Lieferungen 1)	(4) Umsatz
	(6) in Mill. DM				(7) Zunahme gegenüber dem Vorjahr in vH		
1970	1 996	2 416	4 412	420	20,5	6,3	12,3
1971	2 319	2 499	4 817	180	16.2	3,4	9.2
1972	2 381	2 927	5 308	547	2,7	17,2	10,2
1973	2 660	2 998	5 658	339	11,7	2,4	6,6
1974	3 252	3 671	6 923	418	22,3	22,4	22,4
1975	3 342	3 922	7 264	579	2,8	6,8	4,9
1976	3 877	4 269	8 145	392	16,0	8,9	12,1
1977	3 961	4 409	8 370	448	2,2	3,3	2,8
1978	3 900	4 575	8 475	675	- 1,5	3,8	1,2
1979	4 589	4 720	9 309	131	17.7	3,2	9,8
1980	5 578	5 293	10 871	-285	21,6	12,2	16,8

(8) 1)Der Bundesrepublik Deutschland einschließlich Berlin (West); einschließlich Lohnveredelung sowie Warenverkehr auf ausländische Rechnung.

(9) Quellen: Statistisches Bundesamt, Warenverkehr mit der Deutschen Demokratischen Republik und Berlin (Ost), Fachserie 6, Reihe 6 (Jahreshefte und Dezember 1980); Berechnungen des DIW.

Key:

1. Year
2. Purchases
3. Deliveries
4. Turnover
5. Balance
6. Million D-marks
7. Percentage increase by comparison with the previous year
8. 1) By the FRG including West Berlin; including commission processing and goods traffic on behalf of third countries
9. Sources: Federal Office for Statistics, "Goods Traffic With the German Democratic Republic and East Berlin,' technical publications 6, series 6 (annual issues and December 1980); DIW computations

The GDR's 1980 trade policy vis-a-vis the FRG was evidently designed more than ever to prevent a deficit in goods trade. By restraining imports and making strenuous export efforts the GDR was actually able to achieve a delivery surplus amounting to just on 300 million VE /accounting units/, a notable event in the annales of inner-German trade. The last balance favorable to the GDR goes back to the first half of the 1960's, and the surpluses then were much smaller than last year.

FRG Purchases in Inner-German Trade[1] by Groups of Goods

(1) Erzeugnisgruppen bzw. Erzeugnisse	1979	1980	(2) Veränderung 1980 gegenüber dem Vorjahr		(3) Struktur 1979	(3) Struktur 1980
	(4) in Mill. DM			(5) in vH		
(6) Erzeugnisse der Grundstoff- und Produktionsgüter-industrien 2)	2 336	3 015	+ 680	+ 29,1	50,9	54,1
(7) dar.: Rohbenzin und Kraftstoffe	1 080	1 401	+ 321	+ 29,7	23,5	25,1
(8) Dieselkraftstoff	813	978	+ 166	+ 20,4	17,7	17,5
(9) Eisen und Stahl 3)	312	305	− 6	− 1,9	6,8	5,5
(10) NE-Metalle 4)	167	208	+ 41	+ 24,3	3,6	3,7
(11) Chemische Erzeugnisse 5)	468	682	+ 214	+ 45,7	10,2	12,2
(12) Anorganische und Organische Chemikalien 6)	191	301	+ 110	+ 57,5	4,2	5,4
(13) Kunststoffe und Kunststofferzeugnisse 7)	133	190	+ 57	+ 42,5	2,9	3,4
(14) Erzeugnisse der Investitionsgüterindustrien	450	625	+ 176	+ 39,1	9,8	11,2
(15) dar.: Maschinenbauerzeugnisse	140	186	+ 46	+ 32,4	3,1	3,3
(16) Elektrotechnische Erzeugnisse	165	183	+ 18	+ 10,8	3,6	3,3
(17) Erzeugnisse der Verbrauchsgüterindustrien	1 161	1 276	+ 115	+ 9,9	25,3	22,9
(18) dar.: Holzwaren	208	233	+ 25	+ 12,0	4,5	4,2
(19) Möbel	168	190	+ 22	+ 13,1	3,7	3,4
(20) Textilien	364	388	+ 25	+ 6,7	7,9	7,0
(21) Meterware 8)	160	160	+ 0	+ 0,2	3,5	2,9
(22) Wirk- und Strickwaren	164	186	+ 22	+ 13,7	3,6	3,3
(23) Bekleidung	317	336	+ 19	+ 5,8	6,9	6,0
(24) Oberbekleidung	186	203	+ 16	+ 8,3	4,1	3,6
(25) Erzeugnisse der Landwirtschaft 9) und der Nahrungs- und Genußmittelindustrien	612	624	+ 12	+ 1,9	13,3	11,2
(26) dar.: Getreide	172	152	− 19	− 11,1	3,7	2,7
(27) Schlachtvieh 10)	215	230	+ 15	+ 7,2	4,7	4,1
(28) Zucker und Süßwaren	89	102	+ 14	+ 15,3	1,9	1,8
(29) Alle Erzeugnisse 11)	4 589	5 578	+ 989	+ 21,6	100,0	100,0

(30) 1) Einschließlich Berlin (West). - 2) Einschließlich Bergbauerzeugnisse. - 3) Einschließlich Gießereierzeugnisse sowie Erzeugnisse der Kaltwalzwerke, Ziehereien und Stahlverformung. - 4) Einschließlich deren Halbzeug. - 5) Einschließlich Kunststofferzeugnisse und Gummiwaren. - 6) Einschließlich anorganischer Grundstoffe. - 7) Einschließlich synthetischer Kautschuk. - 8) Einschließlich Heim- und Haustextilien. - 9) Einschließlich Jagd-, Forstwirtschaft und Fischerei. - 10) Einschließlich frisches Schweinefleisch. - 11) Einschließlich nicht zugeordneter Waren.

- Abweichungen in den Summen durch Runden der Zahlen. -

(31) Quellen: Statistisches Bundesamt, Warenverkehr mit der Deutschen Demokratischen Republik und Berlin(Ost), Fachserie 6, Reihe 6 (Jahresheft 1979 und Dezember 1980); Berechnungen des DIW.

Key:

1. Product groups or products
2. 1980 Changes by comparison with the previous year
3. Structure
4. Million D-marks
5. Percentages
6. Products of the basic materials and production goods industries
7. Including: Crude gasoline and motor fuels
8. Diesel fuels
9. Iron and steel
10. Nonferrous metals
11. Chemical products
12. Anorganic and organic chemicals
13. Plastics and plastic products
14. Products of the investment goods industries
15. Including: Machine construction products
16. Electrical engineering products
17. Products of the consumer goods industries

/Key continued on following page/

18. Including: Woodware
19. Furniture
20. Textiles
21. Yardage
22. Hosiery and knit goods
23. Clothing
24. Outerwear
25. Farm products and products of the essential and nonessential food industries
26. Including: Grain
27. Slaughter cattle
28. Sugar and confectionery
29. All products
30. 1) Including West Berlin.-- 2) Including mining products.-- 3) Including cast products and products of cold rolling mills, drawing mills and steel forming.-- 4) Including semifinished goods.-- 5) Including plastic and rubber products.-- 6) Including anorganic basic substances.-- 7) Including synthetic rubber.-- 8) Including household textiles.-- 9) Including hunting, forestry and fishing.-- 10) Including fresh pork.-- 11) Including miscellaneous goods.

-- Divergences arising from rounding off

31. Sources: Federal Office for Statistics, "Goods Traffic With the German Democratic Republic and East Berlin," technical publications 6, series 6 (annual issues and December 1980); DIW computations

The total of liabilities, the so-called GDR accumulated deficit[3] arising from the exchange of goods, service transactions and cash payments via the "S" special account, amounted to DM3.9 billion at the end of 1980. It was unchanged from the same period of the preceding year. The surplus in goods trade was accompanied by a large rise in the deficit due to the exchange of services; the amounts paid into the "S" special account by the GDR in 1980 were again so small that they did not really contribute to a reduction in the deficit. The rise in the services balance derives mainly from greater use of the port of Hamburg and rising interest payments for major projects undertaken in earlier years. In 1979 the GDR services deficit amounted to about DM320 million; it has now risen to just under DM500 million.

By the criterion of the volume of goods traded the GDR's debt status has certainly improved in the course of 1980. While its 1979 accumulated deficit amounted to 87 percent of the annual deliveries in the total of goods traffic, the ratio had declined to 72 percent by the end of 1980.

Just as in 1979, the results of 1980 inner-German trade were characterized largely by price increases[4]; they amounted to more than 10 percent for the total turnover, that is for the flow of goods in both directions. In real terms turnover increased by 6 percent, following a real decline in 1979.

In contrast to 1979 this time the rate of inflation was considerably higher for FRG deliveries (13 percent) than for purchases (7 percent). The GDR's terms of trade worsened in inner-German trade. While goods deliveries stagnated in terms of adjusted prices, there was a real growth of about 13 percent in purchases from the GDR.

FRG[1] Deliveries in Inner-German Trade by Groups of Goods

(1) Erzeugnisgruppen bzw. Erzeugnisse	1979	1980	(2) Veränderung 1980 gegenüber dem Vorjahr		(3) Struktur	
					1979	1980
	in Mill. DM (4)			in vH (5)		
(6) Erzeugnisse der Grundstoff- und Produktionsgüterindustrien 2)	2 553	2 877	+ 324	+ 12,7	54,1	54,3
(7) dar.: Bergbauliche Erzeugnisse	618	867	+ 249	+ 40,3	13,1	16,4
(8) Kohle, Koks	256	266	+ 10	+ 3,9	5,4	5,0
(9) Erdöl, Erdgas	349	588	+ 239	+ 68,6	7,4	11,1
(10) Eisen und Stahl 3)	340	363	+ 23	+ 6,9	7,2	6,9
(11) NE-Metalle 4)	339	325	- 14	- 4,1	7,2	6,1
(12) Chemische Erzeugnisse 5)	998	1 062	+ 64	+ 6,4	21,1	20,1
(13) Anorganische Grundstoffe 6)	164	159	- 5	- 3,2	3,5	3,0
(14) Organische Chemikalien	294	346	+ 52	+ 17,6	6,2	6,5
(15) Kunststoffe und Kunststofferzeugnisse 7)	197	188	- 9	- 4,7	4,2	3,6
(16) Erzeugnisse der Investitionsgüterindustrien	1 233	1 392	+ 159	+ 12,9	26,1	26,3
(17) dar.: Maschinenbauerzeugnisse	859	939	+ 80	+ 9,3	18,2	17,7
(18) Maschinen der Metallbearbeitung 8)	243	334	+ 91	+ 37,5	5,1	6,3
(19) Baumaschinen und Pumpen 9)	200	223	+ 23	+ 11,7	4,2	4,2
(20) Elektrotechnische Erzeugnisse	162	194	+ 31	+ 19,2	3,4	3,7
(21) Erzeugnisse der Verbrauchsgüterindustrien	382	387	+ 5	+ 1,4	8,1	7,3
(22) dar.: Textilien und Bekleidung	189	196	+ 7	+ 3,7	4,0	3,7
(23) Erzeugnisse der Landwirtschaft 10) und der Nahrungs- und Genußmittelindustrien	498	578	+ 79	+ 15,9	10,6	10,9
(24) dar.: Rohe Öle	97	124	+ 27	+ 28,1	2,0	2,3
(25) Ölkuchen und Schrote	131	188	+ 56	+ 43,0	2,8	3,5
(26) Alle Erzeugnisse 11)	4 720	5 293	+ 574	+ 12,2	100,0	100,0

(27) 1)Einschließlich Berlin (West).-2)Einschließlich Bergbauerzeugnisse.-3)Einschließlich Gießereierzeugnisse sowie Erzeugnisse der Kaltwalzwerke, Ziehereien und Stahlverformung.-4)Einschließlich deren Halbzeug.-5)Einschließlich Kunststofferzeugnisse und Gummiwaren.-6)Einschließlich Chemikalien.-7)Einschließlich synthetischer Kautschuk.-8)Und andere Maschinenbauerzeugnisse (Warengruppe 321 der Industriesystematik) u.a. holzbe- und verarbeitende Maschinen, Gießereimaschinen, Prüfmaschinen.-9)Einschließlich Baustoffmaschinen.-10)Einschließlich Jagd-, Forstwirtschaft und Fischerei.-11)Einschließlich nicht zuzuordnender Waren.

- Abweichungen in den Summen durch Runden der Zahlen.-

(28) Quellen: Statistisches Bundesamt, Warenverkehr mit der Deutschen Demokratischen Republik und Berlin(Ost), Fachserie 6, Reihe 6 (Jahresheft 1979 und Dezember 1980); Berechnungen des DIW.

Key:

1. Product groups or products
2. 1980 Changes by comparison with the previous year
3. Structure
4. Million D-marks
5. Percentages
6. Products of the basic materials and production goods industries
7. Including: Mined products
8. Coal, coke
9. Oil, natural gas
10. Iron and steel
11. Nonferrous metals
12. Chemical products
13. Anorganic basic substances
14. Organic chemicals
15. Plastics and plastic products
16. Products of the investment goods industries

[Key continued on following page]

17. Including: Machine construction products
18. Metal processing machines
19. Construction machines and pumps
20. Electrical engineering products
21. Products of the consumer goods industries
22. Including: Textiles and clothing
23. Farm products and products of the essential and nonessential food industries
24. Including: Crude oils
25. Oil cakes and bruised seeds
26. All products
27. 1) Including West Berlin.-- 2) Including mining products.-- 3) Including cast products and products of cold rolling mills, drawing mills and steel forming.-- 4) Including semifinished goods.-- 5) Including plastic and rubber products.-- 6) Including chemicals.-- 7) Including synthetic rubber. 8) And other machine construction products (goods group # 321 on the list of industries), among others wood processing machines, foundry machines, testing machines.-- 9) Including building material machines.-- 10) Including hunting, forestry and fishing.-- 11) Including miscellaneous goods.

-- Discrepancies due to rounding off

28. Sources: Federal Office for Statistics, "Goods Traffic With the German Democratic Republic and East Berlin," technical publications 6, series 6 (annual issues and December 1980); DIW computations

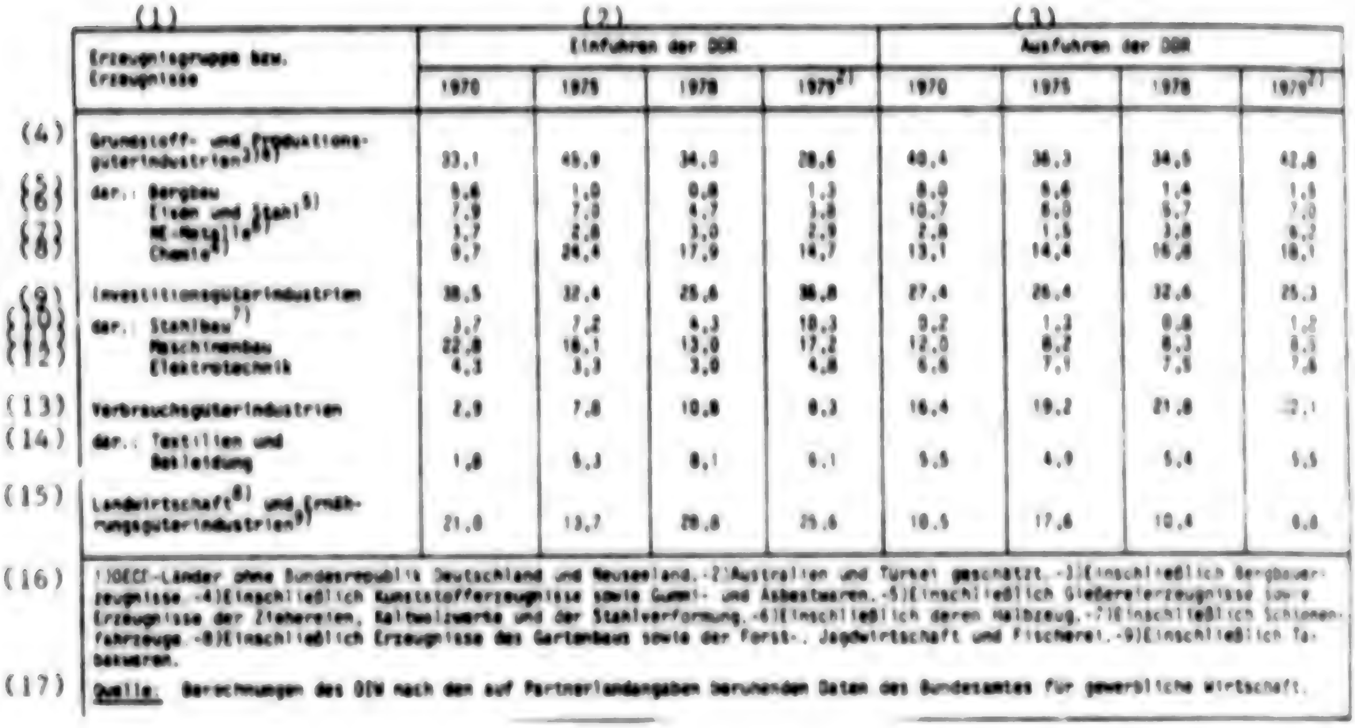
In 1980 also price increases were particularly serious with regard to some products. In the case of purchases the rising prices of only three products (gasoline, diesel and heavy fuel oil) yielded the GDR DM120 million more in earnings; that represents a third of price-related additional earnings. In 1980 gasoline prices in inner-German trade rose by 15 percent, diesel by 8 percent and heating oil by 32 percent. As these goods now account for more than 25 percent of the value of all purchases from the GDR, it is obvious that the effect of these price rises is bound to be substantial with respect to the price inflation of the entire flow of goods. A similar concentration of price effects may be noted for deliveries: More than 40 percent of price-related additional earnings (DM250 million) were accounted for by oil and silver. With respect to silver the GDR was compelled in 1980 to accept price increases of 130 percent; the rise in oil prices amounted to nearly 50 percent.[5]

Goods Structure

The goods structure of inner-German trade has not undergone any noticeable change. The products of the basic material and production goods industries continue to dominate deliveries and purchases (54 percent each in 1980); farm products and the products of the food industry account for 10 percent each; the products of the investment goods industries hold 25 percent of FRG deliveries, only 11 percent of GDR deliveries. The products of the consumer goods industry (just under 25 percent) still represent support for the purchases from the GDR; at less than 10 percent they do not have much importance for FRG deliveries.

Structural changes in 1980 were largely the result of different price developments.[6] To be noted with regard to FRG purchases were mainly the above proportionate growth in the value of oil products, the below average expansion of consumer goods, the near stagnation in purchases of farm and food products (due to declining GDR grain deliveries) and an above average rise in the purchases of investment goods. As regards FRG deliveries, yet another advance of oil and an above proportionate rise in livestock feed deliveries stand out.

Goods Structure of the GDR's Western Trade[1]-- (Percentages)



(1) Erzeugnisgruppe bzw. Erzeugnisse	(2) Einfuhren der DDR				(3) Ausfuhren der DDR			
	1970	1975	1978	1979[2]	1970	1975	1978	1979[2]
(4) Grundstoff- und Produktionsgüterindustrien[3][4]	33,1	45,9	34,0	28,6	40,4	36,3	34,5	42,8
(5) dar.: Bergbau	5,6	1,0	0,8	1,3	8,0	5,4	1,4	1,5
(6) Eisen und Stahl[5]	7,9	7,0	4,7	3,8	10,7	8,0	5,7	7,0
(7) NE-Metalle[6]	3,7	2,8	3,0	2,9	2,8	1,5	3,8	6,2
(8) Chemie[4]	9,7	24,4	17,9	14,7	13,1	14,4	16,8	18,1
(9) Investitionsgüterindustrien	38,5	32,4	25,6	36,8	27,4	26,4	32,6	25,3
(10) dar.: Stahlbau[7]	3,7	7,2	4,3	10,3	0,2	1,3	0,8	1,2
(11) Maschinenbau	22,8	16,1	13,0	17,2	12,0	8,2	8,3	8,5
(12) Elektrotechnik	4,3	3,3	3,0	4,8	6,6	7,1	7,5	7,6
(13) Verbrauchsgüterindustrien	2,9	7,8	10,8	8,3	16,4	19,2	21,8	22,1
(14) dar.: Textilien und Bekleidung	1,8	5,3	8,1	6,1	5,5	4,9	5,4	5,5
(15) Landwirtschaft[8] und Ernährungsgüterindustrien[9]	21,0	13,7	29,6	25,6	10,5	17,6	10,4	8,8

(16) 1)OECD-Länder ohne Bundesrepublik Deutschland und Neuseeland.-2)Australien und Türkei geschätzt.-3)Einschließlich Bergbauerzeugnisse.-4)Einschließlich Kunststofferzeugnisse sowie Gummi- und Asbestwaren.-5)Einschließlich Gießereierzeugnisse sowie Erzeugnisse der Ziehereien, Kaltwalzwerke und der Stahlverformung.-6)Einschließlich deren Halbzeug.-7)Einschließlich Schienenfahrzeuge.-8)Einschließlich Erzeugnisse des Gartenbaus sowie der Forst-, Jagdwirtschaft und Fischerei.-9)Einschließlich Tabakwaren.

(17) Quelle: Berechnungen des DIW nach den auf Partnerlandangaben beruhenden Daten des Bundesamtes für gewerbliche Wirtschaft.

Key:

1. Product group or products
2. GDR imports
3. GDR exports
4. Basic materials and production goods industries
5. Including: Mining
6. Iron and steel
7. Nonferrous metals
8. Chemicals
9. Investment goods industries
10. Including: Steel construction
11. Machine construction
12. Electrical engineering
13. Consumer goods industries
14. Including: Textiles and clothing

/Key continued on following page/

15. Agriculture and foodstuffs industries
16. 1) OECD countries excluding FRG and New Zealand.-- 2) Australia and Turkey, estimated.-- 3) Including mining products.-- 4) Including plastic products as well as rubber and asbestos goods.-- 5) Including foundry products and products of drawing mills, cold rolling mills and steel forming -- 6) Including semifinished goods.-- 7) Including rail vehicles.-- 8) Including products of horticulture, forestry, hunting and fishing.-- 9) Including tobacco goods.
17. Source: DIW computations as per the data provided by the Federal Office for Trade and Industry, based on information from the partner countries

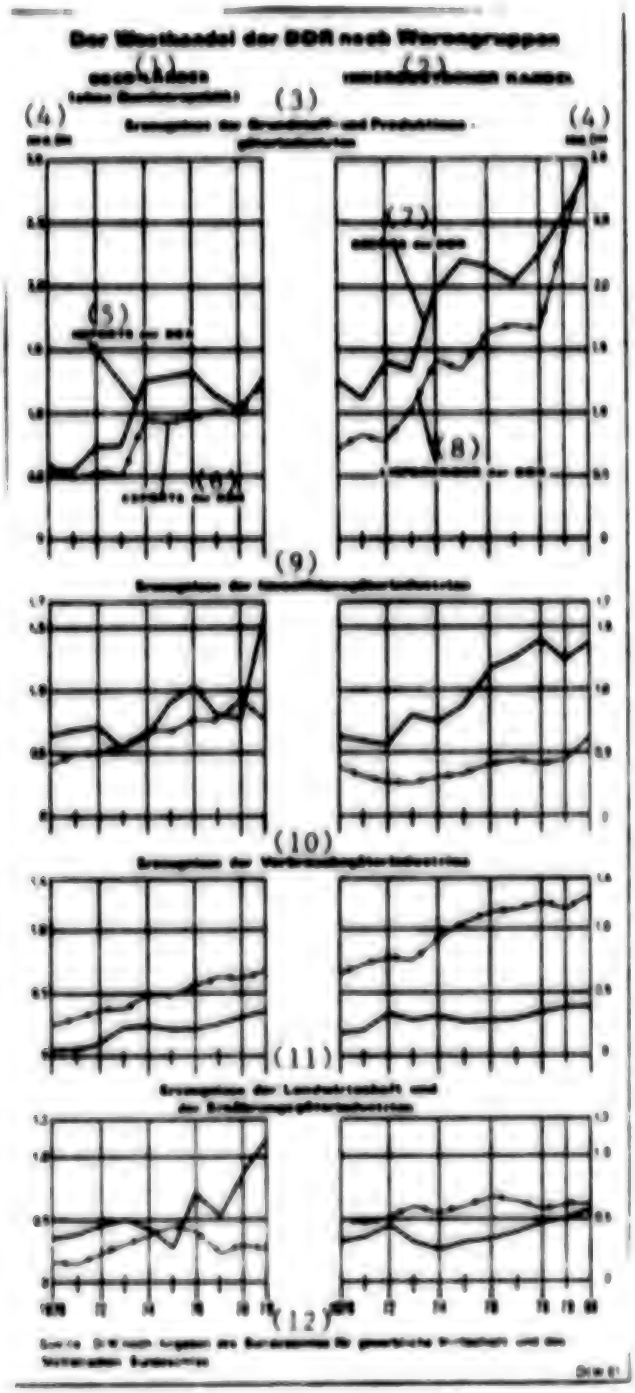
A comparison between the structure of goods in GDR trade with the FRG on the one hand and with the other OECD countries on the other is highly instructive. Traditionally the GDR has had delivery surpluses with the FRG and other OECD countries where consumer goods were involved. Conversely and just as traditionally purchases from these two regions showed a surplus in regard to the products of the basic materials and production goods industries. Lately there has been a change in both cases. In 1980 the GDR managed a delivery surplus for this group of goods in inner-German trade and, already the year before, had succeeded in achieving a surplus with the other OECD countries. The gap rapidly widened in trade with the OECD countries with respect to the product of agriculture and the food industry. In inner-German trade the two delivery flows tended to come closer to one another: The old established GDR delivery surplus in this group of goods has almost disappeared. Moreover, in an inter-regional comparison of the GDR's Western trade it is evident that a substantial deficit has always been recorded in inner-German trade in investment goods, while such deficits were only occasionally incurred in the same kind of trade with the other OECD countries--only at times when the GDR customers were given free rein to pursue their import wishes.

The permanent wide discrepancy between the deliveries and purchases of investment goods clearly reflect the structural weaknesses of inner-German trade. Despite long and serious efforts the GDR was not able to achieve any notable sales successes in the FRG, especially for products of machine construction. The Federal Republic was therefore always confronted with the question how many products to accept from other sectors, especially food and industrial consumer goods. In reference to this issue the DIW has always advocated a generous purchasing policy. That is a necessary corollary if this trade is to be encouraged or favored as per repeated official pronouncements.

Imponderables

The development of inner-German trade in 1981 and beyond is overshadowed by considerable economic and political problems. From the aspect of the GDR the difficulties involved in the economic sector are the deterioration in the terms of trade, which occurred in the 1970's, a substantial foreign trade deficit in the last five-year plan period (about 25 billion valuta marks)[9] and the probable added difficulties due to events in Poland. Poland is one of the GDR's most important trade partners; it is very possible indeed that the GDR--the country with the highest standard of living in CEMA--will have to contribute to the consolidation in Poland: Either by additional exports or by foregoing imports.

GDR Western Trade by Groups of Goods



Key:

1. OECD countries (excluding FRG)
2. Inner-German trade
3. Products of the basic materials and production goods industries
4. Billion D-marks

[Key continued on following page]

5. GDR imports
6. GDR exports
7. GDR purchases
8. GDR deliveries
9. Products of the investment goods industries
10. Products of the consumer goods industries
11. Products of agriculture and the food industry
12. Source: DIW according to data provided by the Federal Office for Trade and Industry and the Federal Office for Statistics

The GDR's involvement in CEMA is likely to obstruct Western trade. In present conditions it is not to be expected that the GDR will again be able to give preference to the expansion of exports to Western countries to the same extent as in 1980. It is on the cards that a greater export commitment will be required in intra-Bloc trade.

Furthermore, the current recession in the FRG also sets limits to the expansion of inner-German trade, although we should not overestimate the effects of the cyclical element on inner-German trade.

Another obstacle is the deterioration in the political relations of the two German states, caused by the rise in the minimum exchange to DM25 and the expansion of the circle of people obligated to exchange.

Easier travel and visitors traffic are among the prime items of interest for the Federal Government. For that reason alone there will be no economic concessions to the GDR by, for example, a favorable swing regulation--unless the GDR gives up its present behavior. It is to be feared that both parties have by now assumed such inflexible attitudes that a generous swing agreement is not really to be expected.

On the other hand it is certain that any reduction in the swing (unless otherwise agreed it will, according to the Berlin Agreement, be reduced from DM850 million now to DM200 million) would have adverse consequences for inner-German trade. It can hardly be assumed that the GDR would borrow additional money to make up these amounts at commercial terms. Instead it would be likely even more resolutely to strive to consolidate the balance in inner-German trade, not least by restraining purchases from the FRG. At the same time it would even more resolutely promote trade with the other Western countries.

The DIW has always maintained that any too obvious and close ties in the economic and political relations between the two Germanies must be avoided, not least because inner-German trade might be overstrained. However, there is no question that inner-German trade has always been the arena of a balancing of interests with regard to the economic and political give and take.

All in all it is not easy to look forward with confidence to the development of inner-German trade in 1981. Indeed, we are bound to consider rather optimistic the Federal Government's estimate that we might be able this year to maintain the current real level of goods traffic ("plus price increases"). In fact it is not impossible that the events of 1980 may turn out to have been the climax of inner-German trade for some time to come.

FOOTNOTES

1. As per the data of the Federal Office for Statistics (technical publications 6, series 6). They include border crossing goods traffic but no services. The statistics of the Federal Ministry for Economics and the Trust Agency for Interzonal Trade, deviating from these figures, represent accounting statistics which record goods and services traffic as far as it is regulated by the Berlin Agreement.

2. Inner-German trade is transacted in accounting units. One accounting unit corresponds to DM1.

3. This deficit is largely commercially financed; only 20 percent are financed by way of the swing; in 1980 the GDR called on it in the average of the year at DM750 million. According to the swing agreement (terminating at the end of 1981) it has been fixed at DM850 million.

4. There are still no official price statistics for inner-German goods traffic. Up to now only DIW computations have offered any estimates about the price trend. In part these are based on direct ascertainments of prices of various products for which we have data as to volume and value. For many items, therefore, we have quite exact price data. When computations of prices are neither possible nor meaningful because either heterogeneous goods are involved or we have only a group record for several products, we consulted the price statistics of FRG exports and imports as well as the statistics of industrial producer prices. In both cases we weighted with the goods structure of inner-German trade.

5. The FRG's oil deliveries within the scope of inner-German trade must be considered in connection with the purchases of oil products which are, for the most part, destined to supply West Berlin.

6. As for oil products we also noted an important expansion in volume (+ 20 percent). The addition earnings the GDR achieved in 1980 are largely due to this volume effect and only secondarily to price increases.

7. Statistical accounting unit used by the GDR since the mid-1960's to record its foreign trade. Its conversion rate arises from a specific relation to the transferable ruble. This ratio has so far been constant and amounted to R1 equaling 4.67 valuta marks. The conversion rate vis-a-vis Western currencies fluctuated with changes in the parity between the ruble and the convertible currencies: For 1980 DM .597 equaled 1 valuta mark.

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SITUATION, PRODUCTION OF MECSEK COAL MINES DISCUSSED

Budapest MAGYAR HIRLAP in Hungarian 19 Mar 81 p 7

[Article by Jeno Lombosi: "Coal, We Salute You. Our Lias Program and Its Effects--An Independent Enterprise With Investments of 20 Billion]

[Text] With the dissolution of the Hungarian Coal Mining Trust on the first working day of the [this] year, the Mecsek Coal Mines have become independent. This year again domestic consumers are expecting a black coal output of more than 3 million tons. The last time projected demands were this high was in 1979. In addition, this year we are also going to begin implementing a lias program which calls for a coking coal concentrate output of 900 thousand tons by the beginning of the 1990's, requiring some 19 billion forints in developments. Next to the amount invested in the construction of the Paks Nuclear Power Plant--and not even too far behind in size--this project will be our country's second largest state investment.

Needs of the Danube Iron Works

Many of us probably still remember the highly popular book, entitled "Komlo, We Salute You", in which Komlo's true history begins with the coal. "I fear, it will last only as long as the coal"--wrote Gyorgy Moldova. Well, this no longer seems valid today, since during the past decade Komlo has also become the home of some well-developed light- and machine industry. But even if this were not the case, the people of Komlo would have no reason to panic: the area has enough known coal reserves to ensure the continuation of mining for as many as a hundred years, even if it were to become more intensive than it is at the present time. (Incidentally, one more thing about those coal reserves: explorations conducted between 1976-1980 yielded outstanding results.)

As it has been reported in MAGYAR HIRLAP during the past years, a site--which has become known as Maza-Del--with coal reserves of more than 200 million tons, has been discovered in the Mecsek. With the findings of ongoing and projected explorations we can count on still another 120-180 million tons of (positively exploitable) coal reserves. The size of the new coal field's reserves is similar to that of the presently known reserves of the Pecs-Komlo mines; the location of its veins and its coking capacity, however, are more favorable than those of the mines presently in operation. The above mentioned lias program can ensure the production of 900 thousand tons of coking coal concentrates annually, even if we were to count only on the technical reconstruction of the presently operating mines. By the end of the millennium, with the opening of the Maza-Del mining works, we may even be able to meet our entire domestic coking coal demand.

But let us return to the present. During the winter the Mecsek Coal Mines have done a great deal to improve supplies to the population: going beyond meeting its contractual obligations vis a vis domestic trade, until now it has delivered an additional 200 tons of coal to the TUZEP [Fuel and Building Material Trade Enterprise] yards. The goal, and most important task of the enterprise, however, is primarily to continue supplying coal for the coking plants of Dunaujvaros. This is in the fundamental interest of our national economy as well.

Perhaps it would be of some interest to analyze the importance of our domestic coking coal production in connection with the projected development of the Danube Iron Works. According to projections, by the turn of the millennium the iron works' pig iron output may increase from the present 830 thousand ton level to 1.4 million tons; the first, and it so happens, the most important obstacle in the way of attaining this is the lack of blast furnace coke. By last year capitalist imports had already reached 300 thousand tons, and according to predictions this quantity may increase by another 100 thousand tons by 1985. That is when the new one million ton capacity coking block No. 3 will be placed into operation alongside with block No. 2, which will continue operations; therefore, 1.8 million tons of coking coal will be needed, to keep the two blocks working. This level of demand is not expected to diminish later with the closing of block No. 2, since the completion of the planned coal-preheating furnace will increase the capacity of block No. 3, to 1.3 million tons.

Price Projections

During the next few decades, even if everything works out as planned, the socialist countries will only be able to provide us with 800 thousand tons of coking coal concentrate that is directly ready for the box furnace. Therefore, even after taking into account the production possibilities of the Mecsek Coal Mines, our country's only coking coal producing mining enterprise, we will still be short of some 400 thousand tons of concentrate in 1985. Demand for coking coal around the world is so great that we cannot expect a reduction in prices. It is most likely, that the present price of about $100 per ton will only continue to climb upward. It is a question of simple multiplication: if the amount of coking coal still needed had to be purchased from the capitalist countries, that would place an annual $40 million, and over five years, a $200 million burden on our nation. Large-scale coking experiments, using pure Mecsek coking coal concentrates have clearly shown that the quality of the coke produced would be satisfactory if the ash-content of the Pecs and Komlo concentrates could be reduced, that is, if they could be rendered more homogeneous in the Mecsek coal separators.

In the 1990's there may be a possibility that we can base our entire coke production on domestic raw materials. In the presently operating mining plants of the Mecsek Coal Mines we have 200 million tons of industrial coal reserves ready to exploit. It is clear, that Mecsek will be able to supply the coal coking plants of Dunaujvaros for decades to come; this period may even be extended with the opening of a new mine, thus the Mecsek Coal Mines may be able to completely meet the coking coal demands of Dunaujvaros.

Adopted and On Its Way

20 billion (forints) for development seems an awful lot, especially since it would only enable us to meet a little more than half of the 1990's coking coal concentrate demands from domestic production. The above mentioned opening of a new mine by itself might eat up 10 billion (forints). It is no surprise, therefore, that in the course of trying to define its goal and determine the amount necessary to attain it the lias program has undergone some trying times. It had gone through a number of revisions before the State Planning Commission finally adopted it, and recommended that it be elaborated in greater detail.

The development goal was defined, after several years of preparation, as a result of a joint effort by experts from the Central Institute for Mining and Development and from the Mecsek Coal Mines. They examined the forseeable trends in production and their effect on prices, as well as the possibilities of buying and possibly even selling both on the CEMA markets and in the capitalist countries, the development goal calls for the reconstruction of the Mecsek coal-mining plants, implementation of a large-scale technical development program, complete renovation of the Pecs coal washer (taking into account the closing down of the Komlo coal separator), modernization of surface coal transport and the building of some 2200 to 2300 living quarters. The material resources necessary to implement the program are projected to come partly from state funds, and partly from the coal industry's own development funds. During the next 5 years we can expect expenditures to amount to about 5 billion forints, and investments will continue into the Seventh Five Year Plan period.

The Mecsek Coal Mines are ready for this program and are also ready to work independently. This latter is important because one of its essential features is closely connected with development itself. Preparations are presently under way to set up a planning and management organ from the pool of the enterprise's intellectual capacities to oversee development. (This has become necessary because at the end of the 1960's its highly qualified departments in charge of long-term development and investments were cut back and asked to carry out smaller-scale tasks which had been in the foreground at the time.)

The lias program, therefore, is indeed an undertaking comparable in magnitude to the Paks program. It is significant, not only because the Mecsek Coal Mines are in the process of creating a production capacity equivalent to half of a nuclear power plant, but also because at the same time it will also be producing enough coal to match that capacity.

9379
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PRACTICAL APPLICATION OF NEW INVESTMENT LAW DISCUSSED

Bucharest ROMANIA LIBERA in Romanian 26 F[illegible]1 pp 1, 5

[Interview with Gheorghe Popescu,, president of the Investment Bank, by engineer Marian Dumitrescu]

[Text] [Question] The new investment law brings a series of new principles to the planning, preparation, execution and financing of investments, which are intended to lead to a radical improvement in this important sector of activity by introducing firm plan and financial order and discipline in the engaging and utilization of the capital which society allocates for development. For that reason, comrade president, I propose that we have a discussion about the Law on Investments. I think we should comment on the norms and principles of this law but, at the same time, we should present to the readers a number of aspects connected with practical application of the law.

[Answer] In working out this important normative act, on one hand, everything that was positive in the experience gained by our country in the job of implementing the grand investment programs was kept in mind and, on the other hand, the demands imposed by the current stage of development of the national economy, the complexity of the problems raised in the process of carrying out the investments under conditions of the general increase in technical and scientific progress.

In the new principles set forth by the Law on Investments, we recognize the precious thought, guidelines and indications and the personal contribution of the party's secretary general, Comrade Nicolae Ceausescu, who has understood and scientifically substantiated the objective need for placing into agreement the old legislative framework with the requirements of practice and the principles of the new economic and financial mechanism which require that the utilization of investment capital take place only under the conditions of high economic efficiency. The innovations which this law is bringing are many and they concern the entire process of preparing and carrying out the investments, from substantiation of placing the new investments in the five-year plans up to placing them into operation and reaching the planned parameters.

[Question] What are the new basic elements of the Law on Investments and how does each one specifically affect the activity being carried out in this important area

[Answer] Without minimizing the importance of the other provisions of the law and without placing them in order of importance, we feel that there is major importance in the way in which planning activity, preparation and beginning of execution of new investments are regulated. The demands imposed by the law with regard to well-based substantiation of placing the new investment projects into the plan, justification of the need, timeliness and efficiency of them, working out and preparing the documents on time as well as providing all the conditions for starting and opening the financing and carrying out the projects are provisions capable of assuring that the investment projects are placed into operation within short period of time and that the economic, financial and social effects of the capital invested are obtained faster.

Special emphasis in the new law is being placed on the need for concentrating the material-technical means and labor force on a rational number of jobsites in simultaneous execution, establishing the requirement that "the plan provide for spacing of the jobs so that the volume of investments remaining to be carried out at the end of a year for continuing projects does not exceed the volume of investments forecast for the next year." The application of these provisions will mean that, even beginning this year, the size of the front of investments will be at an optimum level, which will have a positive effect on all the activity of investment-construction and will lead to a substantial reduction in the number of projects being executed and projects which are not finished.

[Question] At the beginning of 1980, as far as we know, there were more than 11,000 projects being carried out. Following decisive measures taken personally by the party's secretary general, to concentrate all forces and means on the main economic projects, less than half still remained to be carried out at the end of last year. What is the situation for 1981?

[Answer] What is significant is the way in which what I was telling you before was reflected in this year's plan forecasts. As also was pointed out during discussions of the Grand National Assembly regarding the draft law on investments, with some exceptions, investments will no longer begin for new economic projects. Thus, it will be possible for the greater portion of the capacities being built to be placed into operation, with only around 530 projects being carried out entering into the next year, plus those which will be approved as exceptions. Just how necessary the adopttion of such measures was is proven by the fact that certain ministries, due to the shortcomings demonstrated in the organization and execution of investments, still need 3-4 years to finish production capacities on which work was begun and put them into operation. I also wish to stress a characteristic of the plan for 1981 in full agreement with the Law on Investments. A faster rise in the volume of fixed assets--machinery, equipment, installations--than that of total investments will take place. Phrased another way, fewer buildings and more production means, many of these being machinery and equipment, are to be set up in the areas and spaces which exist.

[Question] You were saying before that the beginning of certain new projects still will be approved as exceptions. According to what criteria?

[Answer] The guidelines and decisions adopted by the party leadership and the indications given by Comrade Nicolae Ceausescu at the RCP Central Committee Plenum of October 1980 and at the plenum of the National Workers Council in January 1981 clearly provide that the exceptions refer to those capacities which are intended for recovery and utilization of reusable material resources, the development of the production of raw materials and energy resources, the elimination of bottlenecks in the manufacturing processes in some enterprises. And since the citizens' well-being is in the center of the policy promoted by our party, work also will begin on some projects in the section of the food industry and production capacities which will improve supply to the population.

[Question] Can you make several estimates regarding 1982?

[Answer] The start of jobs for too many projects is not forecast for next year, either, bearing in mind that those being executed cover a large portion of the construction capacity for 1982, while in some sectors, as I was telling you before, it is not even forecast for coming years.

[Question] I would like to dwell a little on this subject that of starting new jobs--and ask you for several explanations. For example, if during execution of the plan it is urgent to build a production capacity, does the possibility exist legally to urgently begin the work? I am thinking of a particularly important invention, a production capacity which substantially reduces import and so forth. Or...

[Answer] Just a minute, let me answer. Also provided in the annual investment plans and in the state budget, besides the volumes distributed by holders and jobs, are certain reserves intended for financing and building certain projects and investment actions the execution of which are urgent and which could not have been taken into consideration when the plan was being worked out. Of course, the introduction into the plan as well as the financing and start of work for these projects or actions are to be done with strict respect for the provisions of the Law on Investments. But please continue presenting the explanations you were asking for.

[Question] What will the procedure be in cases where it is necessary to have imported equipment with long delivery terms and whose contracting even present difficulties. Will the opening of financing be delayed for the entire investment until there is sure provision of the equipment?

[Answer] First, it must be remembered that the law gives the holders and beneficiaries of the investments the right to contract for imported equipment only if they cannot be obtained from domestic production and only following approval of the import in accordance with the law. As a result, contracting for the import of equipment with a long manufacturing cycle can be done immediately following approval of the order note; the beneficiaries, designers and foreign trade enterprises have the opportunity to select the most advantageous offers for contracting in time, from the viewpoint of their cost, technical parameters and delivery schedule. Also, the Law on Investments provides that the Ministry of Foreign Trade and International Economic Cooperation is required to search the foreign market to obtain offers in time in order to achieve the imports needed for the investments under advantageous technical and economic conditions, imports of high quality.

The contracting of necessary equipment for building an investment project is a basic condition for assuring the steady development of the job and respect for the terms for placing it into operation and, as such, the law establishes that the start of work on the jobs is to be made only if the technological equipment is provided, including those with a long manufacturing cycle, while their delivery terms are correlated with those provided in the diagram for spacing the execution of the investment project and diagram for delivery of the equipment, approved at the same time as the technical-economic documentation.

[Question] Let us take the case of a project which has all the technical-economic documents worked out and approved and one which can be finalized even during that particular year. Can the beneficiary request that financing begin and that work start?

[Answer] The fact that an investment can be carried out in a short period of time, that is, during a calendar year, or that it has the technical-economic documentation approved are not sufficient conditions for the beneficiary or builder to move to begin work. Of course, those production capacities which have approved technical-economic documentation have priority in the plan, referring to the projects of the kind pointed out before, but the conditions of efficiency and timeliness justify their being started.

Perhaps it would be good to specify that the law has made innovations in this problem of the start and financing of new investment projects, too, in the sense that approval of the financing and start of new jobs no longer are in the competence of the holders, beneficiaries and financing banks but are the duty given by law of the Council of Ministers for the projects for which documentation was approved by decree or by the investment holders and the Council for Coordinating Investment Acitivty for jobs from the competence of approval of the centrals and enterprises. These approvals are only given if it is shown that all the conditions provided by law and which are needed to build the new projectswithin the terms approved by the plan have been created, such as providing of equipment, building jobs, the supply with raw materials from Romania, the sale of products on the domestic and foreign market and so forth.

[Question] Comrade president, I propose that we close the first part of our discussion here and we shall discuss other aspects at another meeting.

8071
CSO: 2700

SELF-MANAGEMENT, SELF-ADMINISTRATION ON LOCAL LEVEL

Application by People's Councils

Bucharest REVISTA ECONOMICA in Romanian No 10, 6 Mar 81 Supplement pp 1-4

[Article by Dr Mircea Preda: "Self-Management and Self-Administration in People's Councils' Activity"]

[Text] In keeping with the party's and state's constant efforts to further improve all organizational and functional structures of society in order to lend a new and better quality to all socioeconomic activities, the introduction of the new economic-financial mechanism through the measures adopted at the Plenum of the RCP Central Committee of 22-23 March 1978 marks a new stage for mobilizing, in a new organizational framework, all forces for greater effectiveness in all fields and for interesting the workers collectives more intensively and responsibly in better management of the material and financial resources with which society has entrusted them. As Nicolae Ceausescu said at the Working Conference of the RCP Central Committee in May 1980, "Workers self-management and self-administration primarily require implementation of production, growth of net output, profitability and profits, and procurement of additional funds for profit-sharing on that basis."

Of course this purpose is also served by the activity of the people's councils, who are expected to ensure the proper operation of the economic-financial mechanism in the territorial-administrative units where they were elected and consequently the further development and prosperity of all Romanian communities as well as the greater welfare and higher civilization of the urban and rural inhabitants.

Introduction and generalization of the new economic-financial mechanism throughout the national economy considerably changed the system of enterprise management and administration and replaced the enterprises' economic administration with economic-financial self-administration. That replacement is no mere change of methods but a complete reconsideration of the approach to the management system on the microeconomic level and of the methods of managing and administrating the enterprises and the territorial-administrative units.

If we are to understand the nature of the economic-financial self-administration program we must begin by analyzing, in the light of ownership relations, the relationship between the state as owner of all property and the enterprise as administrator and manager of a portion of it. Transfer of property from the state to the enterprise is a transfer of a part of the national wealth for administration and use, while the enterprise workers acquire the prerogatives of an owner and behave as such in all their activity. This means the workers, the workers council and the collective management organs as its agents bear the entire responsibility for management of the property assigned to each unit and for the economic results obtained.

Economic-financial self-management involves a whole series of ways and means of managing the enterprises and territorial-administrative units, among which the budget of incomes and outlays is important because it determines the financial results and profitability of the enterprise and constitutes a current working instrument throughout the implementation of the economic plan. The budget of incomes and outlays accurately reflects the effectiveness of self-management. Balancing the budget, covering the outlays out of internal incomes, and steadily growing profits are the major aims of every socioeconomic unit and every people's council.

Self-Management and Self-Administration in the People's Councils' Activity

The principles of workers self-management and economic-financial self-administration govern the economic units' entire activity and are also completely applied in the activity of the people's councils and all territorial-administrative units.

Actually, as Nicolae Ceausescu pointed out at the Second Congress of the People's Councils, "acting in the spirit of workers self-management and economic-financial self-management, the people's councils must fully perform their functions for good management of industrial activity in both the national units and the local ones of small industry and for interesting the masses of workers in exemplary plan fulfillment, enhancing their contribution to prompt solution of the problems of optimal operation of all the enterprises."

Of course self-management and economic-financial self-administration in the territorial-administrative units and in the activity of the people's councils and their subordinate units include, in addition to the common characteristics that determine the relevance of those principles on the microeconomic level, a number of distinctive features determined by the nature of those organs (such as local state organs), by the principles of their organization and operation, and especially by the principles of democratic centralism, socialist democracy, and the extensive autonomy the people's councils have in the exercise of state power on the local level.

There is no question that self-management and economic-financial self-administration are closely and inseparably related in the people's councils' activity, wherein the concept of self-management cannot be analyzed without considering that of self-administration, just as the latter cannot be defined without considering self-management. This is natural because in the practice of managing the territorial-administrative units and the economic units these principles form a whole and jointly represent basic aims of the system of organization and management in every commune, city, municipality and county.

Workers self-management is effected in the people's councils' activity by particular ways and means. In the first place, the people's councils by their very nature as local state organs are collective management organs composed of deputies elected according to law from the workers' ranks by all citizens with the right to vote in the respective territorial-administrative unit. Furthermore the framework for practical application of workers self-management in the territorial-administrative units is far broader, since its real dimensions are determined by the whole democratic system of workers mass participation in the management of state and public affairs, in the form of citizens assemblies, citizens committees and other institutionalized democratic forms.

The recent improvements made in this organizational framework by amending Law No 57 of 1968 on Organization and Operation of the People's Councils enhance and rationalize the possibilities for workers self-management to characterize the entire activity of the people's councils more and more strikingly, placing their whole operation under the masses' control.

Economic-financial self-administration in the people's councils' activity is based on their capacity as the citizens' representatives in the territorial-administrative units wherein they are elected to whom the state has given certain material and financial resources to manage, use and administrate and consequently the right and obligation to manage and administrate them according to the legal provisions in order to meet the needs of the workers in the respective territorial-administrative units.

On this economic and financial basis the people's councils provide for the management of this property, either directly or through economic units under them, on the principles of workers self-management, enhancing its value every year and effecting the economic-financial consolidation of the respective territorial-administrative unit as a whole.

Economic self-administration and the accompanying self-financing, which are interrelated and interdependent, are particularly characteristic of the economic units founded by the people's councils, which have extensive economic-financial autonomy. These units have their own plans as integral parts of the Uniform National Plan for Romania's Socioeconomic Development, the right to draw up their own balances, and the right to have bank accounts, to maintain financial and legal relations with other units, to use material incentives, and to control all activities they perform. They also have the right to form at their discretion their own funds for development, circulating capital, housing construction and other social investment projects, workers profit-sharing, etc.

For these economic units with economic-financial autonomy and organized on the principles of workers self-management and economic-financial self-administration, the people's councils perform the functions a central does for the units under it, guiding and controlling their activity and providing for fulfillment of their economic tasks, their regular profitability and steadily rising profits.

In addition, the people's councils also develop other economic activities according to law in units that cannot organize their activity on the principles of self-administration and self-financing because they do not have juristic personality or economic-financial autonomy. These units performing an economic activity without juristic personality are limited to economic administration at most, in the form of recording and managing some funds and circulating capital within the limits of their authorized powers. The economic administration of these units accordingly reflects the self-management and economic-financial self-administration which, in a broad sense, the people's councils have in relation to the property entrusted to their administration which they manage and administrate through the intermediary of these units without juristic personality. We say "in a broad sense" because by their very nature and particular characteristics the people's councils can manage this property only through the intermediary of units, with or without juristic personality, which they establish. Of course in a literal sense there could be no "self-financing" or coverage of outlays out of independent incomes without subsidies for the purpose out of the state budget.

The budget of incomes and outlays of the commune, city, municipality or county is the main legal instrument for implementing self-financing, and self-administration as well, on the level of a territorial-administrative unit. Self-financing in the people's councils' activity requires all outlays included in the section on outlays of a people's council's budget to be covered out of the incomes specified in the section on incomes, where the main sources of incomes are also listed. Therefore the main consideration in both compiling and executing the territorial-administrative units' budgets is to balance them in various ways and primarily by covering the outlays out of the internal incomes.

In pursuance of the decisions approved by the National Conference of Chairmen of People's Councils in March 1978 as well as Party Secretary General Nicolae Ceausescu's guidelines and directions to begin self-financing of all territorial-administrative units by eliminating subsidies out of the state budget, the number of people's councils who balanced their budgets with internal incomes increased from 312 in 1979 to 676 in 1980, and it will reach 706 in 1981. In a few years all the territorial-administrative units will achieve economic-financial self-administration and will balance their budgets with internal incomes.

Main Means to Self-Management and Self-Administration

As we said above, in the activity of both the people's councils and the economic units self-management and economic-financial self-administration are closely related and interdependent. Each of them is implemented solely as part of and by means of the other, in full accord with the principle of democratic centralism and the extensive autonomy every people's council enjoys. They are implemented in a new and rationalized organizational and legal framework largely due to the measures to perfect the economic-financial mechanism and to improve the legislative, organisational and operational framework wherein the people's councils perform their activity.

As a matter of fact the improvements made in the organisational and operational framework of all the democratic forms of workers participation in management of public and state affairs has lent workers self-management new dimensions. The workers collectives, institutionalized in the form of citizens assemblies, tenants associations, citizens committees for the electoral districts, etc., have acquired new functions in support of the people's councils activity and are actually acting as true managers of the resources entrusted them by the state. As Nicolae Ceausescu said in his speech at the Second Congress of People's Councils, it is important under these circumstances to provide for the best possible operation of this framework and to make sure that the masses will play an active part in all that is decided and done in Romania in all fields. We must interpret self-management in the people's councils' activity in this way. Self-management organically and functionally relates the people's councils as local state organs to the other institutionalized forms through which the masses participate in the conduct of state and public affairs.

Self-administration and self-financing are both effected in and through self-management, because the people's councils and the masses of workers meeting in the institutionalized forms determine measures and act on behalf of fulfillment of the socioeconomic tasks as well as good management and prosperity of the communities.

So far from an action of a limited administrative nature, self-financing is actually the economic-financial instrument of self-management, that is the means whereby the people's councils and the citizens themselves (through the whole democratic system of exercise and implementation of state power on the local level) assume the entire responsibility for all local activities, industry, agriculture, services, trade, education, medical aid, culture and social programs. Therefore the sources of incomes to cover the planned outlays are to be sought primarily in those fields, in productive activity and creation of new material and cultural values. Accordingly practically all the people's councils are in a position to balance the budgets immediately or in the near future.

In all the territorial-administrative units and communities of Romania, development of industrial and service activities, small industry and handicrafts as well as better use of the resources of every commune, city, municipality and county are also sources that considerably enhance the public funds for better management of the nation's communities and better working and living conditions for the entire population.

Many communities have optimal conditions for starting sections for exploitation or processing of local resources (gravel, clay, limestone, timber, wicker, cattail etc.), for semi-industrial processing of fruits, for regulating marshes and ponds, and for improvement and use of unproductive lands, watercourses etc. As Party Secretary General Nicolae Ceausescu mentioned at the Second Congress of People's Councils, a number of raw materials and materials for industry and construction can be found in every commune. There is almost no commune that cannot develop its own energy sources from biogas, wind power, water power or solar energy. About 30 of the counties of Romania, if not more, could build tens and hundreds of small hydroelectric power stations by using the existing watercourses.

All communities still have great potentials for increasing the quantities of materials obtained by recovery and complete use of the great reusable resources. According to the party and state documents, that activity can supply 40-50 percent of the domestic requirement for iron, nonferrous metals, textile threads, mineral oils and other raw materials.

Moreover, development of as large a services area as possible in every community is not only a certain and important source of incomes but also a direct contribution to the community's standard of civilization, as many Romanian communes and cities have proved. For the same purpose efforts are also being made to further encourage the public to add every year, through patriotic work and their direct contributions, new material values to the endowment that they administrate and use in common.

Of course every good manager knows that minimizing outlays is the surest source of incomes. That is why Party Secretary General Nicolae Ceausescu said in his speech at the Second Congress of People's Councils that "It is the duty of the local organs to intensify their efforts to cut production costs, especially material outlays, to perform a profitable activity, and to manage the material and financial resources wisely."

Constantly working for the direct and responsible involvement of all workers in the procurement and steady growth of the material and financial resources needed to perform their role and function and providing for the self-management and self-administration of the territorial-administrative units, the local organs of the state power and administration are working toward an important goal set by the 12th RCP Congress (transition to a new and better quality in all economic activity, intensive growth of labor productivity, and most efficient management of material and financial resources) and toward fulfillment of the tasks assigned to this level in the documents approved by the Second Congress of People's Councils.

One Town's Experience

Bucharest ROMANIA LIBERA in Romanian 6 Mar 81 pp 1, 5

/Interview with Ana Hermann, mayor of Sighisoara municipality, Mures County, by M. Radian/

/Text/ First, the presentations. The informant is Ana Hermann, mayor of Sighisoara municipality, Mures County. The subject is to what extent and in what way are workers self-management and economic-financial self-administration practiced in that city. The reader will discover why it is Sighisoara and not another city. Meanwhile we shall provide him with just a few data and figures on the municipality that celebrated its 700th documented anniversary last year. It has about 42,000 inhabitants, half of whom are employed in productive activity. That is a striking proportion, but it is due to an accelerated restructuring in the last 15 years owing to the appearance of a number of new light industry and machine building enterprises and development of the old ones. The volume of the industrial output amounts to more than 3.5 billion lei today, or 8 times more than that of 1965. That is about the output of an average county at the start of the last five-year plan.

We ask the reader to take note of the figures because they reflect an extensive process that has affected the entire life of the city. Many of the problems and successes as well as the difficulties we shall discuss below originated in this process, creating a new civilization, which is also reflected in the municipality's large budget of more than 63 million lei.

And finally, in making the presentations we must note that in the last decade alone Sighisoara suffered two catastrophic floods that left serious consequences according to the natives.

Having said those things, let us listen to the words of the municipality's mayor, to whom we duly apologize for having disturbed her 3 times. Actually it was not our fault in all cases, the very story of this interview being a proof of the rate and complexity of the problems confronting Sighisoara and the local organs that manage it.

/Question/ Yesterday we had to cancel the meeting... Today we postponed it...

/Answer/ Yesterday Minister Lina Ciobanu arrived on a working visit long awaited by us to solve some problems in the ministry's factories. It is a matter of production, supply of the factories, the efficiency of their activity and, ultimately and indirectly, the municipal council's budget of incomes and outlays, and so I hope you understand the reason. Today I received a report that matters are not going very well at the potato silos and I had to check personally and see what steps can be taken. It is a problem of public supply, and we have enough even without moldy potatoes. And so I hope you did not hold it against me.

[Question] And what is the situation?

[Answer] It is not as serious as it appeared. They were partially moistened and we took steps to place them on sale at once. What shall we do? We do not have enough silos, the supply was structured otherwise when the city was not industrialized, and the investments were concentrated in those years on developing the factories and creating thousands of new jobs. You cannot do everything at once...

[Question] And so in two words we have come to two key problems: the operation of the enterprises and the supply of the citizens. I must tell you that while I noted many successes in the first respect when I visited the factories, in the second I do not think you have very many reasons to be pleased.

[Answer] Nor am I. On the contrary. We are paying for some mistakes of ours, but we are trying to correct them as soon and as thoroughly as we can.

[Question] Perhaps you will explain to us what the trouble is?

[Answer] First, the fact that we neglected the suburban area, that is the agricultural area that should provide the good supply of the city. It is clear that we must correct matters very soon and we shall correct them, but there are also many difficulties that do not pertain to us alone but also to others, especially the inhabitants of the city, and the problem is how to make them better understand the necessity of helping more to expedite matters.

[Question] For example...

[Answer] I shall give you an example that is apparently beside the point but I think it is illustrative: After the quota of diesel oil was reduced we had to reduce the number of buses, among other things, so that there were 12 drivers for whom we had to find work. And we found it: for a few in the repair shop of the County Enterprise for Local Transportation, and for the others in the Albesti SMA [Agricultural Mechanization Station]. Well, although the Albesti SMA is only 4 km from the center of the city and the bus goes there, and although it needs machine operators, it is difficult to make those people understand that there are situations where each of us must do what he is asked and what society needs. We understand that it is difficult for them but we hope they will finally be convinced that there is no other solution, and I repeat, the municipality's agriculture needs machine operators. We must all understand that the problem of self-supply of the counties (in our case, of the municipality), of which Nicolae Ceausescu spoke, can no longer be put off indefinitely and that the way we are going to live depends on how we succeed in producing.

[Question] And so I gather that organizing the improvement in suburban agriculture is one of your major efforts.

[Answer] It is a main concern along with the efficiency of industry.

[Question] But as I understand it, there are not very many working in agriculture around the city.

[Answer] That is not quite so. People have been accustomed to coming from the country to do their shopping for agricultural products here, instead of the reverse being true. Moreover, there are many workers living in the country who commute and who should and have time to engage in agriculture. We are now giving this category of people a great deal of attention, just as we have taken measures for cultivation of all arable lands in the city.

/Question/ Further measures have been taken...

/Answer/ Possibly, but now we have a very well-planned program for both vegetable cultivation and zootechnology, a program on several fronts. Under it we have assigned the enterprises a total area of 22,000 square meters for hothouses and 3,150 square meters for greenhouses. We have assigned them one specialist each who will lend them technical and technological aid, and we have provided them with standard designs for hothouses and greenhouses. The needed construction materials and the appropriate seeds are being procured. I assure you that we shall produce many vegetables in these greenhouses and hothouses this year. And even if an old Romanian proverb says not to sell the bearskin in the forest, we have also instituted measures and administrative-commercial means whereby those who work in these gardens will benefit by the results of their labor, both as members of communities (canteens, creches and kindergartens) and individually.

/Question/ Speaking of individuals, haven't you also considered the possibility of raising vegetables in people's yards?

/Answer/ You have not yet given me time to describe them to you. They are an integral part of our vegetable growing program. So far we have 48 families in the city who are making hotbeds and 39 households with 2,000 square meters of hothouses. We have assigned the arable area between houses (a state reserve), in an area of 16.5 hectares, separately to some communities and we have assigned 9.9 hectares to some 914 families who requested these lands, on which they will plant onions, potatoes, cabbage, carrots, parsley etc. They are still few in number, 914 families out of 8,000, but the program is being continued and 914 families are becoming producers instead of producers. Furthermore, in setting the vegetable production tasks for this year in the socialist agricultural units, we also organized an extensive program among the workers who want to work on overall contract in these units so that they will also receive products for labor. And we are also implementing a program to develop animal husbandry.

/Question/ We find the idea of work on overall contract in GAP's and IAS's /Agricultural Cooperatives and State Agricultural Enterprises/ (I refer in this case to the citizens of the municipality) very interesting and we shall follow it. In this connection, we would like to know what the situation is in contracting with the public in the field of zootechnology.

/Answer/ We say a start has been made. We have contracted with the private farms for over 40 tons of meat, over 1,150 hectoliters of milk, and over 3,600 kg of wool, but we do not think we have done enough yet and besides, we are in full course of contracting. But I want to point out that we take a much broader view of the matter. In developing contracting with the public, we have also taken steps to secure the numbers of small animals through the consumer cooperatives, just as we have assigned the surplus hayfields, roadsides etc. to the stock breeders. The problem of fodders is the most critical one, and if we want to succeed in self-supply it is clear that we must concern ourselves primarily and very seriously with fodders.

We are also concerned with development of the farms attached to enterprises and institutions, 12 in all, which will supply us this year with 1,241 hogs, 200 sheep and about 3,000 fowl, about 50,000 kg of meat being specified in the Municipal Council's plan. In addition, we are beginning to improve a fish pond by means of patriotic labor on a defunct branch resulting from regularization of the Tirnava, as well as a small marsh near the city.

/Question/ I must say that as you describe matters there are prospects of a real improvement in the municipality's self-supply, and we can only wish you success. But we recall that at the start of our discussion you spoke of the problems in industry as having an indirect connection with the municipality's budget. Is that so?

/Answer/ That is so.

/Question/ Why and how?

/Answer/ It is a rather complicated problem. It is not only a question of our legal obligation to manage and coordinate all productive activity in the municipality but also one of ethics, concerning the municipality's budget of incomes and outlays. For you must know we have a large budget. The outlays for health and education alone come to more than 56 million lei. And since our incomes are not as great, we receive about 17 million lei from the county (actually from the state) to balance our budget. Therefore we have a moral obligation to do all we can, on the one hand, so that the municipality's enterprises will perform very well and pay the state the planned profits and, on the other hand, so that we will make the greatest possible contribution out of our own incomes, while trying at the same time to expend every leu as rationally as possible.

The conversation with the mayor of Sighisoara about the municipality's budget and the ways and means whereby its self-management and self-administration are actually implemented revealed to us an interesting and rich experience that also includes an unexpected variety of other aspects, beginning with the activities of industry and the cooperatives, management of the housing reserve and cultural self-administration, service to the public and tourism, trade activity etc. Perhaps we shall have the opportunity to discuss them.

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CSO: 2700

END

END OF FICHE

DATE FILMED

April 27, 1981

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